

Services employment in Europe Now and in the future

Gintare Kemekliene
Heather Connolly
Maarten Keune
Andrew Watt

**Background paper for UNI-Europa Conference
Athens, 23-25 April 2007**

Brussels, 2007

© Publisher: ETUI-REHS and UNI-EUROPA, Brussels

All rights reserved

The ETUI-REHS is financially supported by the European Commission.

Contents

List of abbreviations	5
List of tables and figures	6
Introduction	7
Part 1: Employment in the European service sector	9
1. Output and employment trends	9
a) Output and growth	9
b) Employment dynamics	11
c) Employment composition by subsector	13
d) Sources of employment growth	14
e) Self-employment	15
f) Employment by foreign affiliates	16
g) Employment in selected UNI-Europa sectors	16
2. Quality of employment	21
a) Gender and age	21
b) Earnings	22
c) Different types of employment	24
d) Working time and working time flexibility	27
e) Skills	28
3. Workers' representation	30
a) Trade union recruitment	30
b) Interest representation	34
c) Trade union organisation and structure	35
Part 2: Challenges and drivers in the services sector	39
a) Implications of structural change	39
b) The acceleration of technological progress	40
c) Growth of cross-border trade in services	42
d) Liberalisation of services trade	43
e) Privatisation/marketisation	45
f) FDI development in services	45
g) Increased cross-border mobility of workers and service providers	49
Part 3: Employment outlook for services	51
Conclusions	59
Appendix	61
Bibliography	62

List of abbreviations

CEE	Central Eastern Europe
EIRO	European Industrial Relations Observatory
EMCC	European Monitoring Center on Change
ETUC	European Trade Union Confederation
ETUI-REHS	European Trade Union Institute for Research, Education, and Health and Safety
EU	European Union
FDI	Foreign direct investment
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
ICT	Information and communication technology
ILO	International Labour Organization
IBITS	Industry, business services and information technology
M&A	Mergers and acquisitions
NGO	Non-governmental organisation
NMS	New Member States (in this report the term refers to the 10 countries that joined the EU in May 2004)
OECD	Organization for Economic Cooperation and Development
SMEs	Small and medium-sized enterprises
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organisation

List of tables and figures

Figure 1: Share of services, industry and agriculture in GDP, EU25 (1995–2004)	9
Figure 2: Relationship between GDP/capita and services share in GDP (2003)	10
Figure 3: Share of services in GDP, EU10 and EU15 (1995–2004)	10
Figure 4: Employment share of services, industry and agriculture, EU25 (% of total employment, 1995–2004) ..	11
Figure 5: Employment in services (% of total employment, 2000–2005)	12
Figure 6: Cumulative employment growth in service and non-service sectors (2000–2005)	12
Figure 7: Cumulative employment growth (1995–2005)	15
Figure 8: Self-employed in service sector (as % of total employment in services, 2000 and 2005)	15
Figure 9: Employment in foreign affiliates (% of total employment, 1995 and 2002)	16
Figure 10: Persons employed (millions) and average growth rate (1999–2003)	17
Figure 11: Wholesale and retail trade (% , 2003)	17
Figure 12: Computer and related activities (% , 2003)	18
Figure 13: Other business activities (% , 2003)	18
Figure 14: Investigation and security activities (% , 2003)	19
Figure 15: Industrial cleaning (% , 2003)	19
Figure 16: Tourism (% , 2003)	20
Figure 17: Telecommunications (% , 2003)	20
Figure 18: Growth of full-time and part-time employment (% , 2000–2006)	25
Figure 19: Employees on fixed-term contracts, by age, EU25 (% of total employees, 2005)	25
Figure 20: Skill composition of employment, EU25 (% , 2003)	29
Figure 21: Trade union membership density by sector and country (% , 2003)	30
Figure 22: Workplace representation by sector and country (% of employees covered, 2003	33
Figure 23: Shares of services exports and imports (% , 2005, excludes intra-EU trade)	42
Figure 24: EU trade in goods and services (% annual change)	43
Figure 25: Employment in services in selected EU member states (% of total employment, 2005 and 2020) ..	52
Figure 26: Employment by service subsectors (% total services employment, 2005 and 2020)	52
Figure 27: Employment by service subsectors (millions, 2005 and 2020)	53
Table 1: Share of services subsectors in total services employment, EU25 (1995, 2005)	13
Table 2: Share of subsectors in total services employment (2000, 2005)	14
Table 3: Employees by sex, age groups and economic activity, EU25 (% of total employment, 2005)	21
Table 4: Male and female employment by sector (thousands, 2000–2006)	22
Table 5: Average annual gross earnings of various service sectors compared to the average for industry, full-time employment (2004)	23
Table 6: Full-time and part-time employment by sex, EU25 (2005)	24
Table 7: Fixed-term employment in EU25 (2000, 2006)	26
Table 8: Average number of usual weekly hours of work in main job, full-time employees (2005)	27
Table 9: Employment share of different skill groups, EU15 (1998–2003)	29
Table 10: Unionisation rate of workers in the ICT sector	31
Table 11: FDI stocks in services and manufacturing (1998, 2003)	46
Table 12: Drivers of change in the service sector	55

Introduction

Over recent decades the European Union, like other highly industrialised economies, has experienced substantial structural change that has brought about a transition from an industry-dominated to a services-dominated production and employment structure. About three quarters of employees in the European Union are now working in services, half of them in the private sector. Reflecting the long-term trends in employment structure, net job creation is occurring almost exclusively in the service sector. The growth of existing service industries, the development of new services – not least in light of technological, demographic and other trends – and increased internationalisation suggest that the service sector will continue to increase in scope and intensity. As a result, exploiting the opportunities for job creation – in both a quantitative and a qualitative sense – in the service sector appears to be a major issue.

The dynamics and challenges of employment growth in services is the central issue addressed in the background document. The study is organised as follows. **Part I** presents the main stylised facts on service output and employment in the EU25 countries. In particular the study addresses such issues as the changes in the size and structure of the workforce and in working conditions in service sectors in the EU25. The shift in the structure of employment has, in recent decades, caused profound changes in the basis for trade union organisation, recruitment and policies. In this part we also draw attention to the main trade union challenges arising from the shift in employment towards services. The issues addressed in **Part II** relate to the underlying reasons that explain the increase in service-sector employment and determining factors behind changes in service employment. Such explanations include the growing role of services in final and intermediate demand, as well demographic and technological developments, and increasing trade in services. **Part III** discusses the outlook for employment in services in the future, drawing on the discussion of recent trends and drivers in the previous two parts. Will the service sector be the main employment creator in the future? Which subsectors will be the most important? What kind of jobs will be created in the service economy? The report concludes with major challenges for trade unions.

* * * * *

Employment in the European service sector

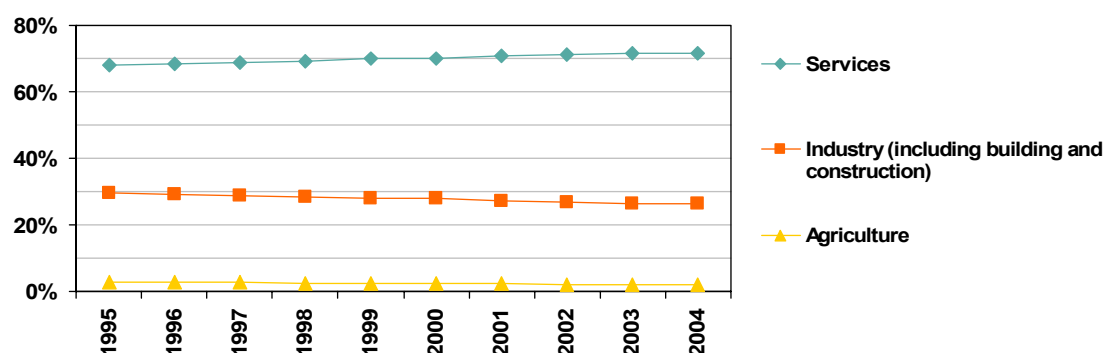
1. Output and employment trends

This section provides an overview of recent developments in the European service economy and, to a limited extent, compares them with developments in the USA and Japan. It begins with an overview of recent trends in terms of overall output and employment in services. This is followed by an analysis of levels of employment and job creation in the different service-sector branches, with the focus on UNI-Europa sectors.

a) Output and growth

Over recent decades there has been a pronounced sectoral shift away from manufacturing and extractive industries – and in some countries also from agriculture – towards a service economy. By 2004 services accounted for over 70% of GDP in the EU25 (Figure 1). But the EU figure is still lower than the share of services in GDP in the USA (77.36%), behind which the EU is widely seen to be lagging in this regard, though slightly higher than in Japan (68.57%) (OECD 2005b). Of course, the EU25 average conceals considerable differences between the Member States, and in some countries the services share of output is almost as high as in the USA.

Share of services, industry and agriculture in GDP, EU25 (1995–2004)

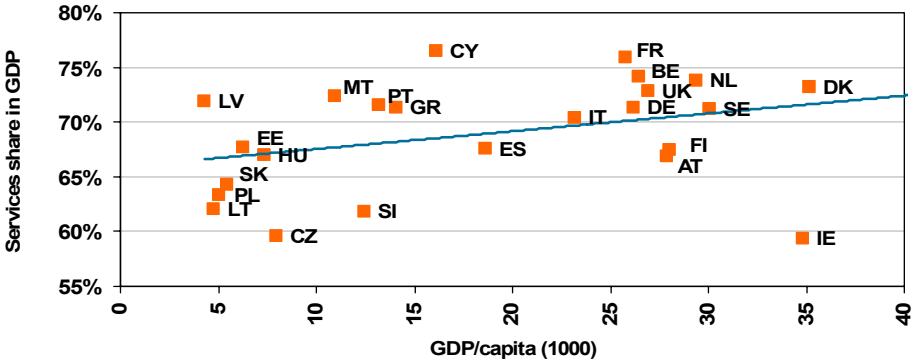


Data source: Ameco (2006)

Figure 1

In general, the expansion of the service sector is seen as a necessary concomitant of economic growth and thus the size of the sector is a reflection of the level of economic development. Within the EU such an assumption appears to be confirmed (Figure 2): Member States with lower GDP/capita have a relatively small service sector (that is, LT, CZ, SI, SK, PL), whereas the wealthiest countries (DK, NL, FR, DE) are those in which a larger proportion of output comes from services (Ireland with a high GDP/capita but a low share of services in GDP is a notable exception).

Relationship between GDP/capita and services share in GDP (2003)



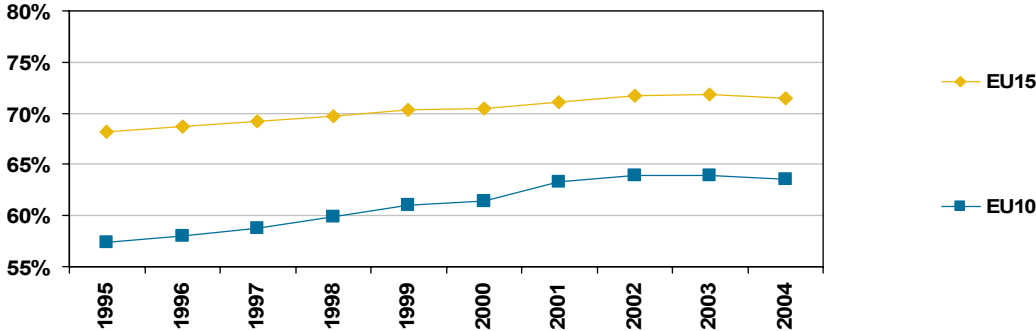
Data source: Ameco (2006)

Figure 2

Most of the NMS have a lower share of services in GDP than EU15 countries (Figure 3). However, since 1995 the share of services in GDP in the NMS has grown at a faster rate than in the EU15, implying steady convergence towards EU15 levels.

In general, the convergence pattern in service-sector shares is rather mixed – the NMS service sector has been growing at a faster but more fluctuating rate, while EU15 Member States grew at a slower but more stable rate between 1995 and 2004. Since 2003 the convergence trends have slowed down.

Share of services in GDP, EU10 and EU15 (1995–2004)



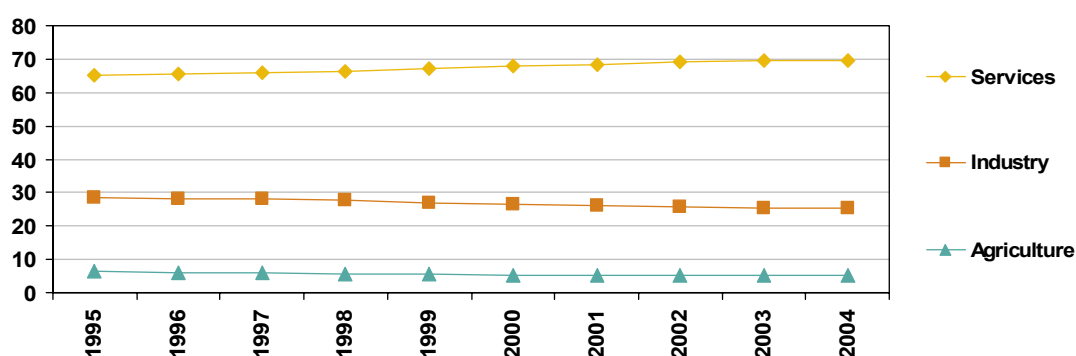
Data source: Ameco (2006)

Figure 3

b) Employment dynamics

Employment trends are rather closely related to output trends, so that a similar picture emerges for the increase in the share of services in total employment. In recent decades EU Member States have experienced a significant change in their employment structure in favour of service-sector employment, with a concomitant reduction in the share of jobs in industry and agriculture. Services increased their employment share by over 5 percentage points in ten years, to reach 70% in 2005 (Figure 4).¹ Services employment now accounts for more than double the share of the employment in industry and agriculture together.

**Employment share of services, industry and agriculture, EU25
(% of total employment, 1995–2004)**



Source: European Commission (2005)

Figure 4

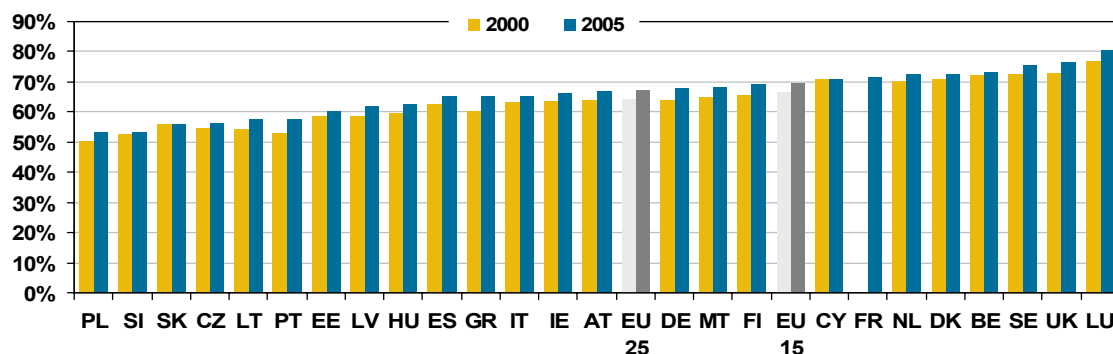
The share of service employment has increased throughout the EU25. Nevertheless, noticeable differences remain at the level of individual EU Member States (Figure 5). For example, employment in services ranged from 53% in Poland and Slovenia to over 75% of total employment in SE, UK and LU in 2005.

By comparison, the share of service employment in the United States was consistently higher than in the EU25, accounting for 81% of total employment in 2003. In Japan services accounted for 66% of total employment in the same year (OECD 2005b).

Apart from Malta and Cyprus, services' employment share in the NMS remains substantially below the EU25 average, although it is growing quite rapidly in many of these countries. But we do not see clear signs of employment-share convergence: Member States which had a low service sector employment ratio in 2000 did not consistently have higher growth in services employment in 2000–2005.

¹ Employment figures are on a headcount basis and do not take account of part-time work. On this aspect see the section 'Quality of employment'.

Employment in services (% of total employment, 2000- 2005)



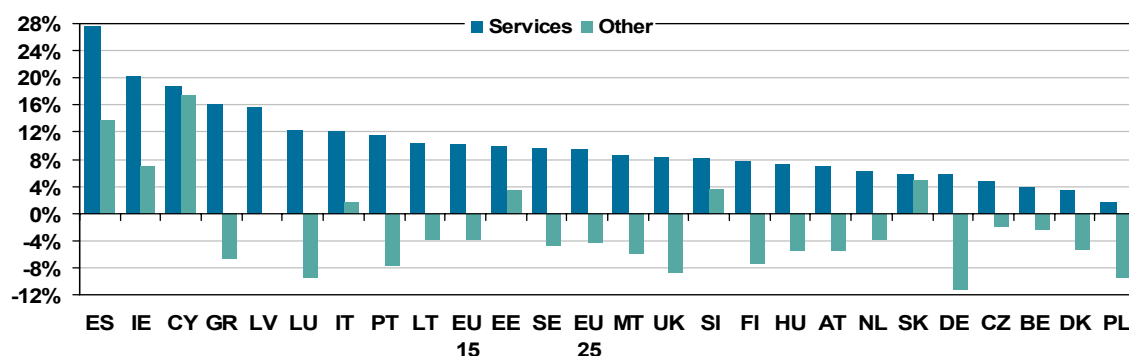
Data source: Eurostat (2006c)

Figure 5

It is often argued (for example, Lopez-Garcia 2003) that those countries with the smallest service-sector employment are also the countries with the largest increases in total unemployment, implying that a failure to create service-sector jobs is behind labour-market problems in high-unemployment countries. But comparison of the EU25 countries shows no clear link between service-sector size and level of unemployment: for example, in CZ, PT and SI services share in total employment was below 55% and the unemployment rate was below 8% in 2005. On the other hand, in BE and FI employment in services accounts for over 70% of total employment, while the unemployment rate was above 8% in 2005 (Eurostat 2006c, own calculations).

Nevertheless, it is clear that job creation in the service sector accounts for a significant share of the new jobs in the economy. As Figure 6 shows, the cumulative growth of jobs in the service sector was positive in all Member States between 2000 and 2005. The highest cumulative growth in service employment was recorded in Spain and Ireland, up by almost a third and a quarter respectively. By contrast, in 18 of the 25 Member States the number of jobs in the rest of economy declined between 2000 and 2005, in some cases very substantially. Only in Spain, Ireland, Cyprus and, very marginally, in Estonia, Slovenia and Slovakia did non-services employment grow during this period.

Cumulative employment growth in service and non-service sector (2000-2005)



Data source: Eurostat (2006c)

Figure 6

c) Employment composition by subsector

We shall now consider employment levels and dynamics within service subsectors.

It is important to note that the 70% share of services employment includes employment in *all* services (private and public, including the armed forces) in the EU25. Employment in private-sector services (in the NACE classification - NACE G-K; see appendix for more details) accounts for around half of total services employment. To compare, in 2004 in the USA and Japan, business sector services accounted for 45% and 33.6% respectively (OECD 2005b). Another 10% of service-sector jobs in the EU are in public administration, defence and social security (NACE L), and the rest (NACE M-Q, ‘other services’) – around one third – are in education and health care, both in public and private sectors, and in personal services.

The proportion of employment in specific services is shown in Table 1.

Share of services subsectors in total services employment, EU25 (1995, 2005)

	1995	2005
Private-sector services	54.91%	55.15%
Public administration and defence; compulsory social security	12.15%	10.57%
Other services (education, health and social work, personal services, etc.)	32.94%	34.28%

Source: Eurostat (2006c)

Table 1

The retail trade is the economy’s largest employer. In 2005 it employed 28.6 million people or 21.6% of the total workforce in the service sector. The relative level of employment in this sector has fallen marginally since 2000, although the number of jobs created continued to expand. From 2000 to 2005, in the EU25 the number of jobs in this sector increased by 1.1 million, almost exclusively in the EU15. Health care and social work is now the second largest service-sector employer, accounting for just over 14% of total employment in services. From 2000 to 2005 the sector employed an additional 2.4 million people in the EU15, although there was a decline in the EU10, mainly due to the loss of 135,000 jobs in this sector in Poland. This sector is closely followed by the more amorphous business services sector. One fifth of services employment is taken up by public sector administration, including the armed forces, together with the (largely public) education sector. In declining quantitative order of importance they are followed by transport and communication, social and personal services, hotels and restaurants and finance.

The shifts in employment shares between 2000 and 2005 are generally not particularly large. Wholesale and retail trade, public administration, transport storage and communication and financial intermediation experienced marginal losses in their share of total service employment, while the biggest percentage increase occurred in real estate, renting and business services.

Share of subsectors in total services employment (2000, 2005)

Service sectors	2000	2005
Wholesale and retail trade; repair of motor vehicles	22.70%	21.58%
Health and social work	13.97%	14.48%
Real estate, renting and business activities	12.36%	13.96%
Public administration and defence; compulsory social security	11.35%	10.74%
Education	10.48%	10.59%
Transport, storage and communication	9.68%	9.08%
Other community, social, personal service activities	7.02%	7.10%
Hotels and restaurants	5.93%	6.17%
Financial intermediation	4.99%	4.48%
Activities of households	1.41%	1.70%
Extra-territorial organizations and bodies	0.13%	0.12%
Total	100%	100%

Source: Eurostat (2006c)

Table 2

It is possible to make a rough comparison of this sectoral breakdown with the USA and Japan. The proportion of service sector employment in the financial service industry and in the social services sector is higher in the USA than in Europe. Meanwhile, overall employment share in traditionally low-value added industries, such as wholesale and retail, restaurants and accommodation, is relatively higher in Japan (OECD 2006a).

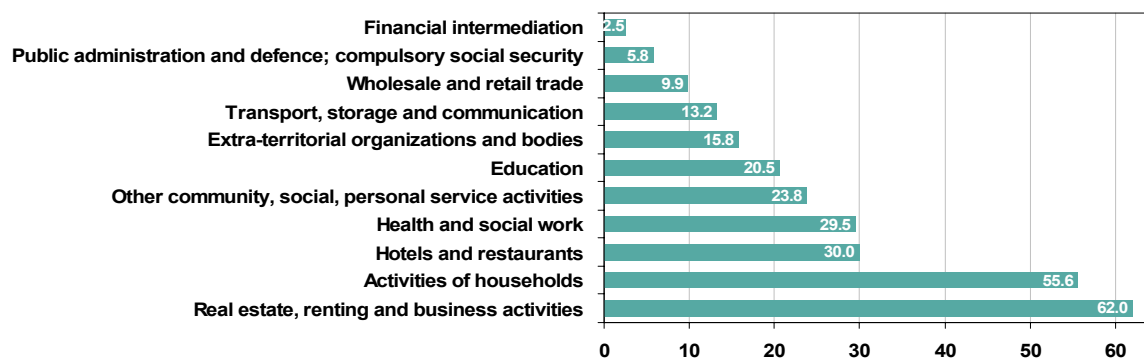
d) Sources of employment growth

The rise of services employment in the EU25 is mainly driven by increases in real estate, renting and business activities (increase of over 60%). Between 2000 and 2005 there was particularly strong growth in the absolute number of jobs in Germany (0.65 million), Spain (0.55 million) and Italy (0.85 million). Employment in this subsector more than doubled in Spain, Italy, Ireland and Luxembourg.

The rise of employment in the business services sector is associated, among other things, with the use of new technology and forms of work organisation. The growth of business services is also closely related to restructuring in the manufacturing sector: first, many service-related occupations in manufacturing moved to the service sector, and secondly, the business and professional sectors provide services to manufacturing industries as intermediate goods.

Apart from the activities of households, strong employment growth was also observed in hotels and restaurants, followed by health care and social work. In the biggest sector (in terms of employment) – wholesale and retail trade – employment on average grew more slowly, by only 10%. Perhaps surprisingly, employment growth was slowest in financial intermediation, showing that sectors with high growth in value-added are not necessarily the ones with high growth in jobs (see Figure 7). This reflects substantial rationalisation and automation in this sector.

Cumulative employment growth (1995-2005)



Data source: Eurostat (2006c)

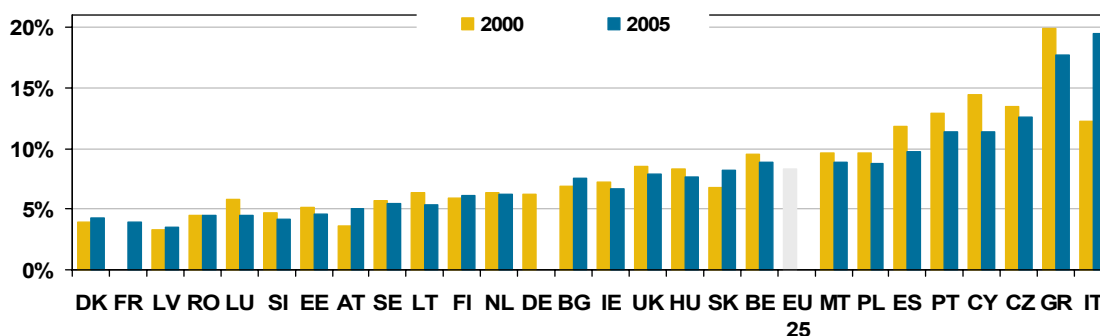
Figure 7

e) Self-employment

Self-employment in the service sector is equivalent to an 8% share of total services employment in the EU25. The proportion of self-employed people is the highest in the Southern EU MS (Greece, Italy, Cyprus and Portugal). But in all the Member States except Italy the share of self-employed decreased slightly from 2000. Of course, this reflects the fact that the share of services in total employment increased significantly, and therefore even if the share of self-employed declined, the number of self-employed people in services increased within the period of analysis. The lowest rates were recorded in Latvia, Estonia, Denmark, Lithuania and Slovenia.

At this aggregate level, at least, there is thus no sign of a generalised trend towards a significant increase in the use of self-employed (pseudo self-employed) workers in the EU service sector.

Self-employed in service sector (as % of total employment in services, 2000 and 2005)



Data source: Ameco (2006)

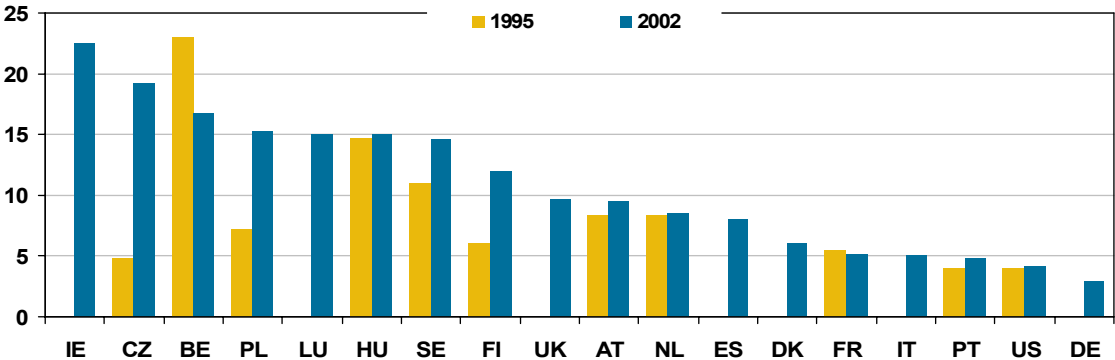
Figure 8

But it is important to note that in some service subsectors the self-employment rate is much higher than average. The highest rates of self-employment for the EU25 were recorded in construction (25%), business-related services (23%), distributive trades (20%) and hotels and restaurants (19%), compared to 8% in manufacturing industry and services as a whole (Eurostat 2006c).

f) Employment by foreign affiliates

The total number of persons employed by foreign affiliates is an interesting overall indicator of the degree of internationalisation and may give indications regarding off-shoring processes. In the service sector employment by foreign affiliates is higher than in manufacturing in all countries included in the Figure 9, except for a small number of countries in which foreign investment is more concentrated in the manufacturing sector (that is, Germany, France) (OECD 2005a). The share of affiliates in service employment ranged from 22% in Ireland to less than 5% in Germany in 2002. The bulk of employment in foreign affiliates is concentrated in four major sectors: wholesale and retail trade, hotels and restaurants, transport and business services. Between 1995 and 2002, in all the countries on which data are available except Belgium, employment by foreign affiliates in services increased, implying an increasing degree of internationalisation and/or Europeanisation. The most important increase was observed in the Czech Republic (accounting for approximately 200,000 employees).

Employment in foreign affiliates (% of total employment, 1995 and 2002)



Data source: Ameco (2006)

Figure 9

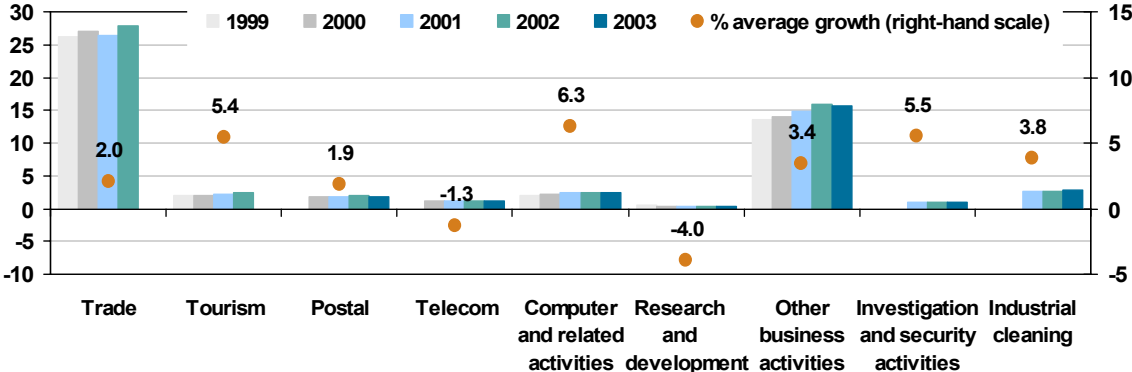
g) Employment in selected UNI-Europa sectors

The aggregate sectoral data that have been used so far have the advantage of offering a consistent and broad coverage of variables of interest (employment, output, and so on). Their disadvantage is that they are not clearly aligned with the precise sectors in which workers are represented by unions affiliated to UNI-Europa. The Eurostat SBS (Structural Business Statistics) database allows a more disaggregated analysis. By combining different sub-categories of the NACE classification it is possible to calculate numbers for sectors that approximate more or less closely to those organised by UNI-Europa member unions. The drawback of these data is that they are somewhat dated and less reliable and in parts rather patchy. Only the overall employment numbers consistently have EU25 aggregates (Figure 10).

From the sectors that are included in the graph, the biggest sectors in terms of employment are clearly wholesale and retail trade and business services, with more than 25 and 15 million workers respectively. The smallest sectors are research and development and investigation and security. Average employment growth in 1999–2003 was highest in tourism and computer and related activities, while employment decreased in telecommunications and research and development.

Data on temporary agency work are not available in the SBS database, but a study by Arrowsmith shows that temporary agency work is an increasingly significant form of employment in the EU, accounting for 1–2% of total employment. Many EU Member States experienced strong growth in this sector in the mid- to late-1990s due to economic growth and changes in regulatory systems. The extent of temporary agency work is much more limited in the NMS, not least because the sector has only recently been granted legal recognition (Arrowsmith 2006).

Persons employed (millions) and average growth rate (1999–2003)

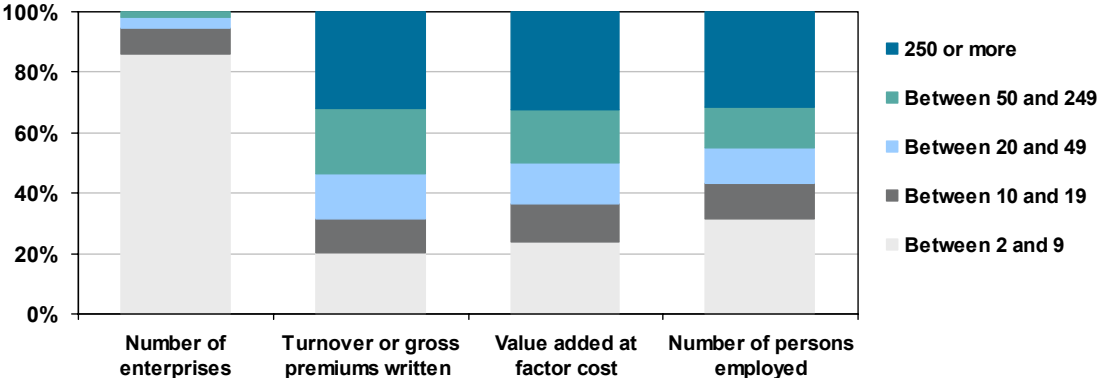


Data source: Eurostat (2006b)

Figure 10

The figures below (Figures 11–17) compare the UNI-Europa sectors in terms of enterprise size and look at indicators such as share of employment, turnover and value added.

Wholesale and retail trade (% , 2003)

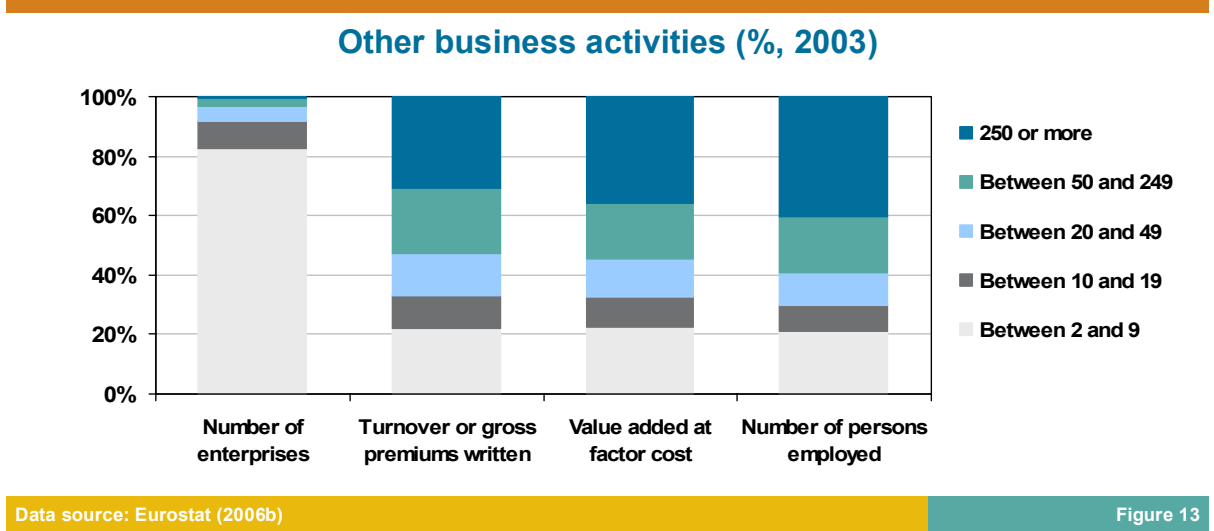
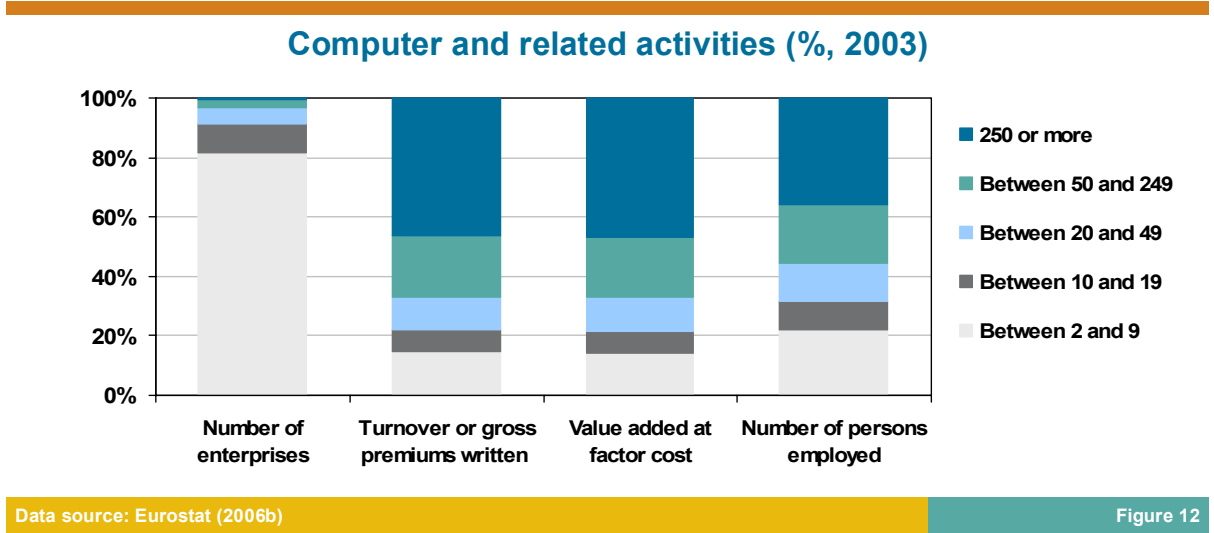


Data source: Eurostat (2006b)

Figure 11

In trade, the breakdown of some key variables by enterprise size shows that almost nine tenths of enterprises are small, employing fewer than ten employees. At the same time, larger firms – more than 50 workers – account for around one half of turnover, value added and employment in the sector. Perhaps surprisingly, the employment and value-added shares are rather similar, suggesting that productivity – at least, measured per worker – is not much higher in large than in small firms: to some extent this may be because working hours in the latter are longer.

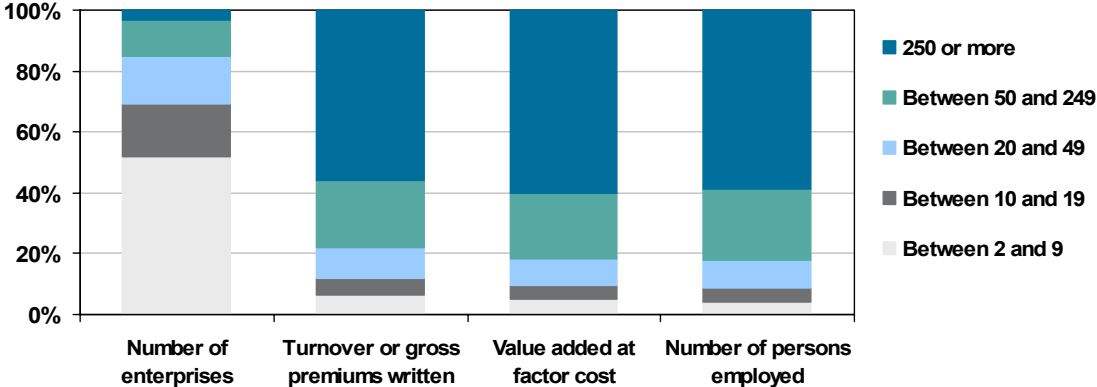
The pattern is similar in many business services.² The Figure 12 depicting computer services is typical of such sectors. The smallest firms account for around three quarters of enterprises and around a fifth to a quarter of turnover, value added and employment in the sector. The importance of the largest and large companies (50+ workers) is substantially greater than in the case of the trade sector. To a greater extent than in the trade sector, productivity per worker does appear to be higher in large firms than in small ones.



² Comparison between the sectors may be distorted by the fact that data are not available for all EU countries for all sectors.

The ‘other business activities’ sector is similarly structured. However, here if anything it seems that medium-sized firms are more productive per employee.

Investigation and security activities (% , 2003)

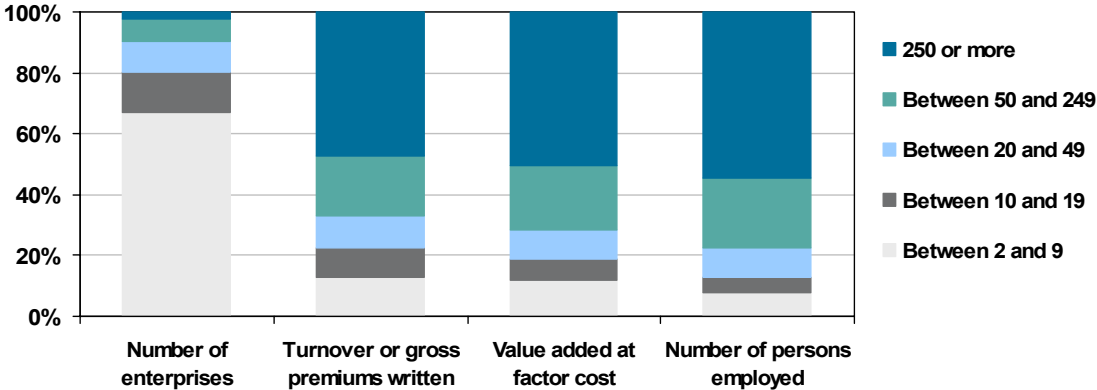


Data source: Eurostat (2006b)

Figure 14

In security and private investigation, however, medium-sized and large firms play an important role, with firms of over 250 workers accounting for around half of turnover, value added and employment. Despite the larger proportion of small firms, the turnover, value added and employment data for the cleaning sector are rather similar. In cleaning the figures suggest a productivity advantage for SMEs.

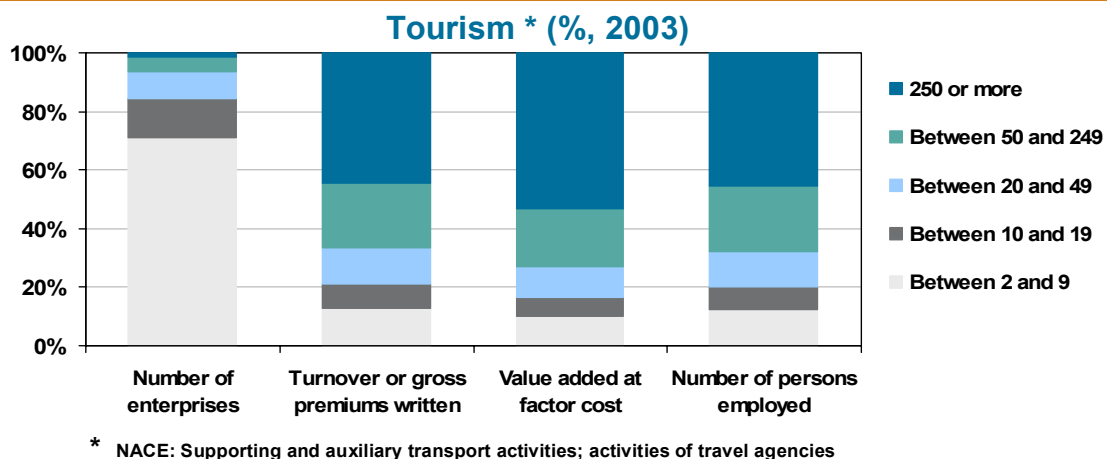
Industrial cleaning (% , 2003)



Data source: Eurostat (2006b)

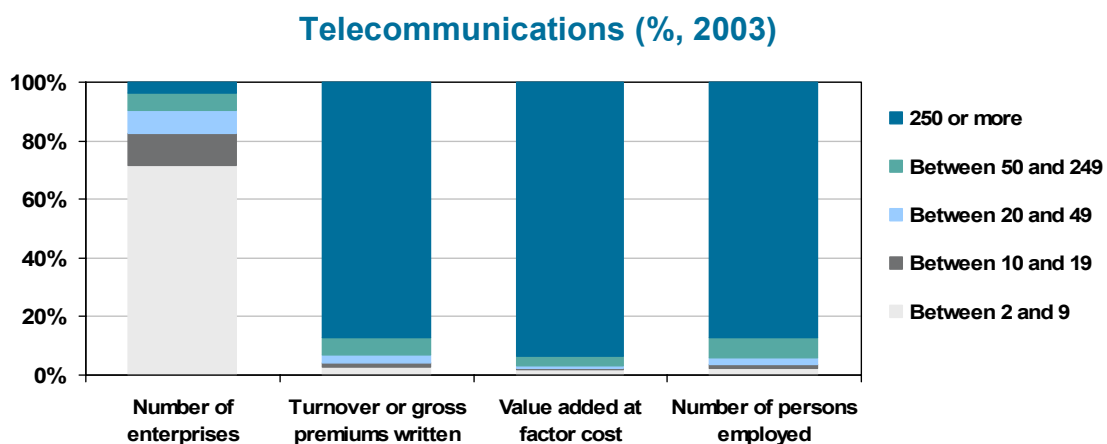
Figure 15

The distribution of firms is quite similar in tourism. The more traditional productivity advantage of larger firms seems to be confirmed here by the data.



Data source: Eurostat (2006b)

Figure 16



Data source: Eurostat (2006b)

Figure 17

The picture is completely different in the postal and telecommunications sectors. (Figure 17 shows the telecom sector, but visually it is virtually identical to that for the postal sector.) There are also a large number of small firms, but in terms of turnover, value added and employment they represent less than 10%: the market is dominated by former national champions and state monopolies. Productivity appears also to be significantly higher in large companies than in SMEs in this sector.

The Eurostat Structural Business Statistics database does not provide disaggregated data for the printing, packaging and publishing sector, however a study conducted for the 2005 annual general meeting of the UNI-Europa graphical sector shows that the printing, packaging and publishing industries in the EU member states remain essentially small-business-dominated sectors, though with increasing concentration of employment and sales. For example in Finland, the 10 largest printing firms account for 20% of the industry's total number of employees. In France, it is estimated that 67 printing companies account for 44% of the total number of employees in the industry. In the UK, 90% of the turnover of the paper, printing and publishing sector is generated by 50 companies (Gennard 2005a).

2. Quality of employment

In this section an overview is provided of quality of employment in the service sector in Europe. The main issues addressed are age, gender, skills, earnings, working time, and types of contracts. This overview discusses these issues at two levels. On the one hand, they are discussed for the five broad service sectors: (i) wholesale and retail trade, and repair; (ii) hotels and restaurants; (iii) transport, storage and communication; (iv) financial intermediation; and (v) real estate, renting and business activities. These broad sectors are compared among themselves and to the rest of the economy to get a general picture of their relative position. On the other hand, examples are given of the situation in specific UNI-Europa sectors to give a more detailed illustration of the issues and problems facing some of these sectors.

a) Gender and age

As can be seen from Table 3, the five broad service sectors all have a higher percentage of female employees than the average for the whole economy. The exception is transport, storage and communication, a very male sector in which only 27.7% of employees are female. In the other four, female employees make up close to or over 50% of employees. Especially in hotels and restaurants the share of female employees is high, at 58.1%. In some smaller sectors this percentage is even higher. For example, in retail in Europe, women make up 60% of the employed and 65.8% of wage earners (EIRO 2004a), while in the European cleaning industry no less than 76% of employment is female (European Federation of Cleaning Industries 2004).

Wholesale, retail and repair, as well as hotels and restaurants are also very young sectors in which young employees are overrepresented compared to the average (19.6% and 27.6% compared to the average of 11.6%: see Table 3).

Employees by sex, age groups and economic activity, EU25 (% of total employment, 2005)

	15 years and over			Between 15 and 24 years			25 years and over			50 years and over		
	Total	of which:		% of total	of which:		% of total	of which:		% of total	of which:	
		men	women		men	women		men	women		men	women
Total	100.0	53.6	46.4	11.6	53.8	46.2	88.4	53.6	46.4	21.6	54.3	45.7
Industry and services (excl. public administration)	100.0	62.8	37.2	13.6	59.8	40.2	86.4	63.3	36.7	19.0	65.9	34.1
Industry	100.0	75.7	24.3	11.5	78.4	21.6	88.5	75.3	24.7	20.5	77.2	22.8
Services (excl. public administration)	100.0	52.6	47.4	15.2	48.7	51.3	84.8	53.3	46.7	17.9	55.6	44.4
Services	100.0	44.0	56.0	11.6	43.1	56.9	88.4	44.2	55.8	22.1	45.1	54.9
Wholesale and retail trade	100.0	48.3	51.7	19.6	48.4	51.6	80.4	48.3	51.7	16.2	47.5	52.5
Hotels and restaurants	100.0	41.9	58.1	27.6	44.0	55.9	72.4	41.1	58.9	12.6	37.8	62.2
Transport, storage and communication	100.0	72.3	27.7	8.1	65.1	34.8	91.9	72.9	27.1	22.7	78.2	21.8
Financial intermediation	100.0	46.9	53.1	8.3	38.5	61.5	91.7	47.6	52.4	19.2	53.0	47.0
Real estate, renting and business activities	100.0	51.6	48.4	10.8	48.6	51.5	89.2	52.0	48.0	18.8	52.4	47.6

Source: Eurostat (2006c)

Table 3

On the contrary, in transport, storage and communication, as well as financial intermediation, the share of young employees is low, and the former is also the only one of these service sectors in which the share of employees aged 50 years and over is above average.

If we consider employment growth, we can see that in all five service sectors female employment grew at a more rapid pace than male employment over the period 2000–2006 (Table 4). Also in absolute terms aggregate female employment in these five sectors grew faster than male employment (3.24 million and 2.96 million, respectively), although in transport, storage and communication and real estate, renting and business activities the absolute increase in male employment is higher (Table 4). At the same time, in industry female employment is declining faster than male employment. Hence, in general services are becoming more and more feminised, but the growing participation of women in the labour market is largely confined to services. This is important because it means that women are affected much more than men by the developments in the UNI-Europa sectors and by the activities of UNI-Europa unions.

Male and female employment by sector (thousands, 2000–2006)

	Men				Women			
	2000	2006	Difference	Growth (%)	2000	2006	Difference	Growth (%)
Total	107046.0	111934.7	4888.7	4.6	81027.0	89069.9	8042.9	9.9
Industry	42199.0	41174.3	-1024.7	-2.4	13256.0	11853.0	-1403.0	-10.6
Services (excl. public administration)	37702.0	40657.5	2955.5	7.8	29776.0	33014.6	3238.6	10.9
Wholesale and retail trade	14354.0	14612.7	258.7	1.8	13170.0	13625.5	455.5	3.5
Hotels and restaurants	3296.0	3776.0	480.0	14.6	3893.0	4693.4	800.4	20.6
Transport, storage and communication	8728.0	8842.9	114.9	1.3	3006.0	3046.6	40.6	1.4
Financial intermediation	2992.0	2944.2	-47.8	-1.6	3054.0	3104.5	50.5	1.7
Real estate, renting and business activities	8332.0	10481.7	2149.7	25.8	6652.0	8544.6	1892.6	28.5

Source: Eurostat (2006c)

Table 4

b) Earnings

Where earnings are concerned, Table 5 shows that there is a strong divergence within the group of services. In particular in hotels and restaurants, but also in wholesale, retail and repairs, earnings are low in comparison to industry. In hotels and restaurants earnings are 26% below the average for industry, and in wholesale, retail and repairs 10.1%. In contrast, in financial intermediation earnings are high at 71.1% above earnings in industry. In transport, storage and communication and in real estate, renting and business activities earnings are respectively 11.8% and 13.8% above those in industry. This general pattern is reproduced in

most countries in Europe but with some major deviations (resulting among other things from the fact that the average is not weighted due to availability). In particular, in countries such as France and Germany, earnings in transport, storage and communication are below industry.

**Average annual gross earnings of various service sectors
compared to the average for industry, full-time employment (2004)**

	Wholesale, retail, repair	Hotels and restaurants	Transport, storage and communication	Financial intermediation	Real estate, renting, business activities
BE	93.8	61.7	91.8	140.0	115.0
DK	97.2	83.2	107.1	118.3	121.6
DE	89.9	64.8	89.6	128.4	107.3
GR	80.3	78.4	130.5	181.1	119.7
ES	86.9	71.3	111.9	188.8	100.7
FR	92.9	73.5	94.1	145.5	111.7
CY	77.6	82.5	115.9	139.4	98.2
LV	87.1	67.6	125.9	246.6	119.4
LU	89.4	67.4	115.7	178.7	116.8
HU	88.4	65.3	116.9	237.3	112.1
MT	63.0	122.8	148.7	228.7	113.0
NL	92.1	69.7	100.5	142.1	116.1
PL	92.9	74.3	115.3	174.0	106.5
PT	111.3	78.1	164.7	241.3	144.9
SK	95.5	68.5	104.1	178.7	114.7
FI	95.8	74.3	93.4	117.5	103.9
SE	98.4	75.8	96.2	137.3	113.0
UK	88.4	65.4	99.8	170.4	120.2
BG	78.8	63.5	124.1	238.9	97.2
NO	97.6	77.7	98.5	122.7	118.5
CH	89.7	67.9	102.7	137.0	119.5
Average (not weighted)	89.9	74.0	111.8	171.1	113.8

Source: Eurostat (2006c)

Table 5

It is therefore no surprise that in a number of UNI-Europa sectors low pay is a serious problem and that workers and their unions are attempting to address this problem. For example, in Germany, the average wage of security guards is EUR 6.10 per hour, very low in national comparison. This situation, combined with the fact that the employers in this sector do not want to engage in collective bargaining, has led security guards to seek publicity for their cause in various ways. Security guards' low pay is also used by the German services union ver.di as one of the many arguments for its calls for a national minimum wage of EUR 7.50 per hour. Also in France low paid security guards have been mobilizing for higher wages.

Another sector in which low pay is a great problem is the cleaning industry (see news items posted on <http://www.union-network.org>). In the Netherlands, cleaners earn EUR 8.33 per hour and FNV Bondgenoten is campaigning for a EUR 10 hourly wage. This example was followed by

the IG BAU union representing cleaners in Germany, where cleaners also earn comparatively low wages according to the sector's collective agreement (EUR 7.78 in the western part of the country and EUR 6.36 in the eastern part), while more and more employers pay wages below the collective agreement. In the UK, cleaners at the Houses of Parliament successfully fought a similar campaign against their poverty wages and for a living wage. They achieved a wage increase from GBP 5.20 to GBP 6.70 per hour, as well as sick pay and more holidays.

Low pay more often affects women in services, who are often overrepresented in the lowly paid sectors and occupations, and more often work part-time. For example, in the wholesale, retail and repairs sector, the gender pay gap ranged from 5% in Sweden to 34% in Austria in 2002 (EIRO 2004a).

c) Different types of employment

An issue of major importance in many UNI-Europa sectors is that of different types of contractual arrangement, that is, full-time and part-time employment, fixed-term contracts, temporary agency work, freelance contracts, teleworking, self-employment and dependent self-employment, as well as the problem of undeclared work. In many sectors non-standard contracts are widespread and growing in importance, and increase the risk of precarious employment. When looking at the five broad service sectors, first of all we see that part-time employment is above average in hotels and restaurants, in wholesale, retail and repairs, and in real estate, renting and business activities (Table 6). But only in hotels and restaurants is the difference substantial and also above average for all services. In financial intermediation and in transport, storage and communication, part-time employment is below average and especially in the latter full-time employment is strongly dominant. In all sectors, part-time employment concerns especially women, ranging from 24.7% of female employment in financial intermediation to 37.5% in hotels and restaurants.

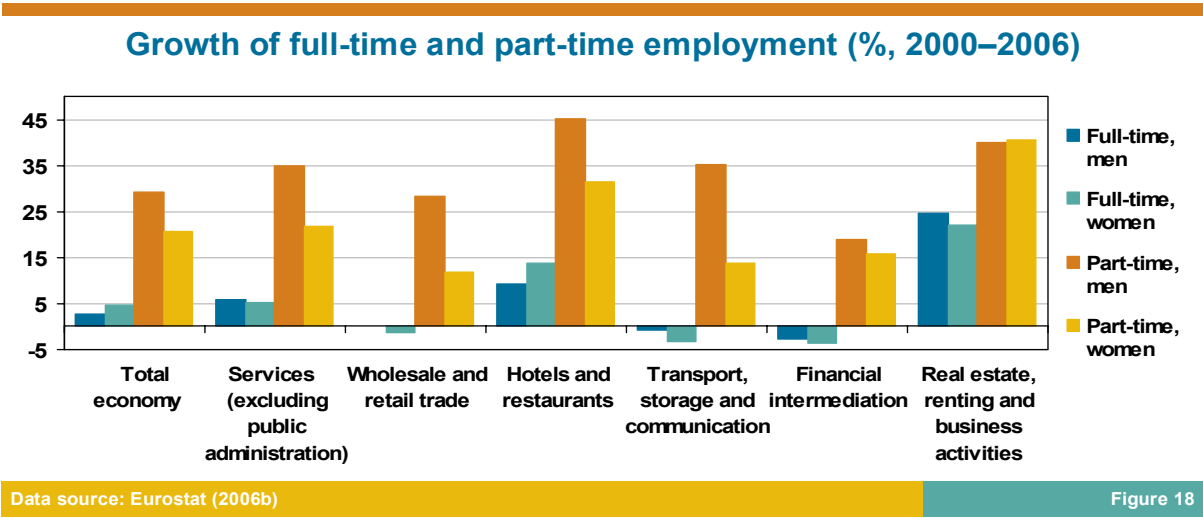
Full-time and part-time employment by sex, EU25 (2005)

	Total		Men		Women	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Total economy	81.4	18.5	92.6	7.3	67.3	32.5
Industry and services (excl. public administration)	85.1	14.8	93.9	6.0	69.0	30.9
Industry	92.7	7.2	96.9	3.1	78.8	21.1
Services (excl. public administration)	79.5	20.4	90.9	9.0	65.3	34.5
Services	77.0	22.8	90.3	9.6	65.4	34.4
Wholesale and retail trade	77.1	22.8	90.7	9.3	62.5	37.3
Hotels and restaurants	71.2	28.5	82.0	17.8	62.2	37.5
Transport, storage and communication	88.8	11.1	94.1	5.8	73.8	26.0
Financial intermediation	85.6	14.3	96.4	3.5	75.2	24.7
Real estate, renting and business activities	78.9	21.0	90.2	9.7	64.7	35.1

Source: Eurostat (2006c)

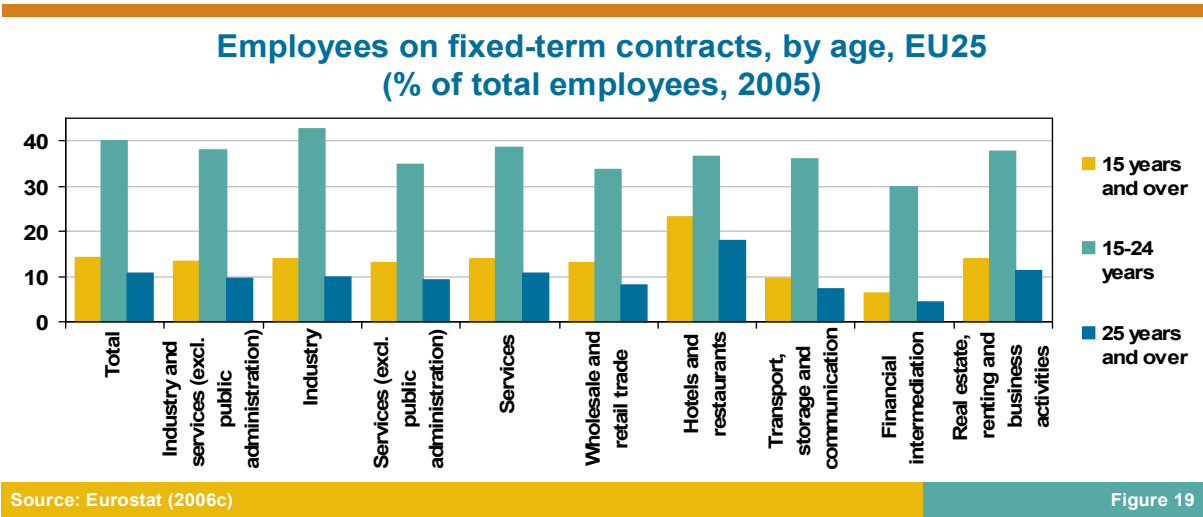
Table 6

Part-time employment has also been growing much faster than full-time employment (Figure 18). This applies to both men and women for the EU25 labour market as a whole, but even more so for services, where for men full-time employment increased by 5.7% in 2000–2006 and part-time employment by 34.9%. The respective figures for women were 5.3% and 21.7%. In transport, storage and communication, as well as financial intermediation, full-time employment for both sexes declined while part-time employment increased rapidly.



Fixed-term employment has also been increasing explosively over time (Figure 19). This counts for both men and women for the EU25 labour market as a whole, with an increase of fixed-term employment of 27.3% in 2000–2006, but even more so for services, where fixed-term employment increased by 36% in the same period. In real estate, renting and business activities this increase amounted to no less than 46.5% and in hotels and restaurants to 50.6%.

Similarly, only in hotels and restaurants is the percentage of employees on fixed-term contracts above average, at 23.2% compared to 14.2% (Table 7). In financial intermediation and in transport, storage and communication, fixed-term employment is below average and especially in the former open-ended employment is strongly dominant. Fixed-term employment concerns around one-third of young employees in all service sectors, slightly below the average of 40%, following the high incidence of this type of employment in industry.



Fixed-term employment in EU25 (2000, 2006)

	2000 ('000)	2006 ('000)	Change (%)
Total	19594.0	24949.7	27.3
Men	10211.0	12857.2	25.9
Women	9383.0	12092.6	28.9
Services (excl. public administration)	6147.0	8362.0	36.0
Men	2959.0	3956.1	33.7
Women	3216.0	4405.9	37.0
Wholesale and retail trade	2356.0	3084.4	30.9
Men	1107.0	1354.6	22.4
Women	1249.0	1729.8	38.5
Hotels and restaurants	1107.0	1668.7	50.7
Men	479.0	662.8	38.4
Women	628.0	1005.8	60.2
Transport, storage and communication	902.0	1105.8	22.6
Men	567.0	755.1	33.2
Women	335.0	350.7	4.7
Financial intermediation	352.0	368.0	4.5
Men	143.0	136.1	-4.8
Women	209.0	232.0	11.0
Real estate, renting and business activities	1457.0	2135.0	46.5
Men	663.0	1047.5	58.0
Women	795.0	1087.6	36.8

Source: Eurostat (2006c)

Table 7

At a less aggregate level, as well as in different countries, the picture can be very dissimilar, however. For example, in the print media sector, in 2003–2004 in most European countries permanent contracts were the standard, often covering 80–90% of employment (EIRO 2006b). However, in Italy only 52% had a permanent contract, and in Greece only 30.8%; in the latter almost 70% were on a fixed-term contract (EIRO 2006). In the hairdressers' sector part-time employment was already high, at 40% of employment or more in the late 1990s in countries such as Germany, France, the Netherlands and Belgium (Peters and Van der Valk 1999). Even more so, in the cleaning industry, in 2002, no less than 70% of employment in Europe was on a part-time basis, with peaks of 85% in countries such as Denmark and Luxembourg (European Federation of Cleaning Industries 2004). In the tourism sector part-time employment, fixed-term employment and also seasonal employment are above average, seriously affecting quality of employment and the security of employees. In addition, several UNI-Europa sectors have seen a significant growth in dependent or bogus self-employment, including freelancers, and in undeclared work. An example of this is the private security sector where such developments are undermining workers' labour rights and access to social protection and training. Also in tourism undeclared work is a serious problem.

d) Working time and working time flexibility

Strongly linked to the question of types of employment is that of working hours. If we look at the five broad sectors we see that, on average, the usual working time of full-time employees in all five sectors is above average for the European economy as a whole which stands at 40.4 hours (Table 8). In financial intermediation working time is close to the average, at 40.6 hours. But in transport, storage and communication (41.9) and especially hotels and restaurants (42.9) working time is far above the average. This pattern is quite similar across countries, although with important national peculiarities. Hence, many workers in these sectors work very long weeks.

Average number of usual weekly hours of work in main job, full-time employees (2005)

	Total economy	Wholesale and retail trade	Hotels and restaurants	Transport, storage and communication	Financial intermediation	Real estate, renting, business activities
EU25	40.4	41.1	42.9	41.9	40.6	41.2
BE	39.1	39.0	39.6	40.2	39.6	40.4
CZ	41.4	41.7	42.7	42.6	41.9	42.7
DK	39.4	39.8	41.7	41.7	40.0	40.1
DE	40.1	40.1	41.8	41.4	40.4	40.9
EE	41.1	41.4	41.3	43.0	40.0	41.4
GR	41.0	43.1	45.9	44.5	40.0	41.6
ES	41.1	42.1	44.7	42.0	40.7	41.3
FR	39.0	39.1	42.8	39.3	40.0	40.3
IE	39.1	39.6	39.7	40.4	39.5	39.8
IT	39.2	41.4	43.6	40.8	40.1	40.6
CY	40.2	41.8	42.4	40.6	37.8	40.1
LV	42.5	43.6	42.5	43.7	41.0	43.1
LT	39.5	40.5	41.1	40.5	39.9	40.2
LU	40.2	40.2	40.8	40.2	40.3	40.2
HU	40.7	41.1	41.7	41.3	41.0	41.2
MT	40.8	40.8	41.0	41.1	41.7	42.8
NL	38.8	39.1	38.9	40.0	38.0	39.2
AT	42.4	41.6	43.9	44.2	42.5	43.4
PL	41.4	43.4	43.0	44.4	41.5	42.5
PT	40.2	41.8	43.4	41.6	39.4	40.3
SI	41.6	41.8	41.8	42.6	41.8	42.4
SK	40.7	41.0	42.7	41.9	40.3	41.3
FI	39.2	39.4	38.2	40.8	39.6	39.1
SE	39.9	39.8	40.7	39.9	39.5	39.9
UK	42.6	42.3	42.8	44.9	41.7	42.9
BG	41.1	42.4	42.5	41.0	40.2	40.7
HR	41.6	41.9	43.9	42.5	40.4	40.6
RO	41.6	43.0	43.3	42.3	41.3	41.8

Source: Eurostat (2006c)

Table 8

Long working hours also affect employees in a number of the UNI-Europa sectors. An example is the tourism industry, where working hours are often long and include unsocial hours. In commerce, in many countries regulations on shop opening hours have been revised in recent years, extending opening hours and increasing the number of Sundays or public holidays on which shops can open (EIRO 2004a). As a result, workers are increasingly under pressure to work unsocial hours and on Sundays and public holidays, with a negative impact on their family lives.

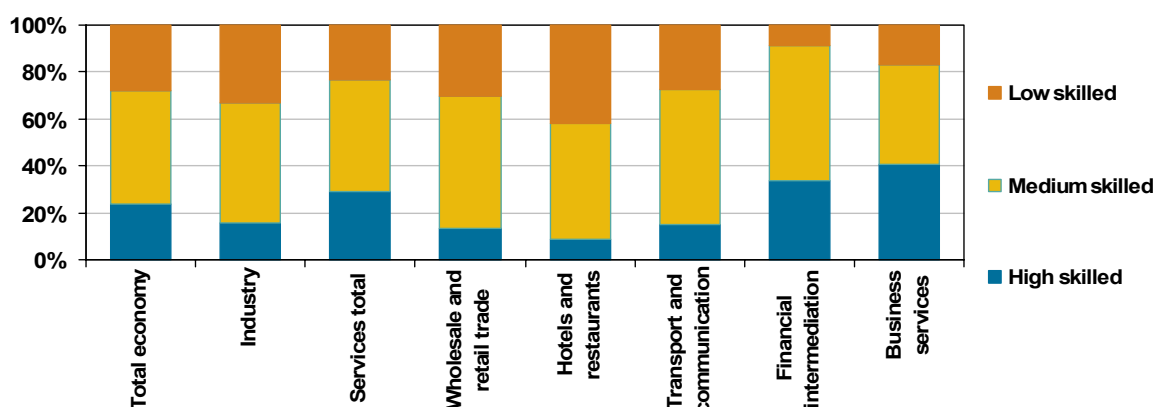
Also workers in the cleaning sector are often forced to work unsocial hours. Only 24% of cleaning hours are worked during the day in the EU, while 28% are worked in the early morning, 41% in the evening and 7% during the night (European Federation of Cleaning Industries 2004). Interestingly enough, however, following technological developments as well as union and employer strategies, in some countries daytime cleaning is on the rise (noticeably Sweden, where 78% of cleaning now takes place during daytime, but also the Czech Republic).

Apart from long working hours and work on unsocial hours, also working time flexibility is an important issue for the UNI-Europa sectors. Following the general trend in Europe, flexible working time schedules have become part and parcel of service sector employment, following changes in legislation, collective agreements and company practices. Overtime is also used very much in the UNI-Europa sectors as a means to achieve working time flexibility, although in the finance sector, for example, overtime is often not compensated for. This led the UNI-Europa Finance Committee in 2005 to launch an awareness campaign against unpaid overtime, attempting to curb the trend.

e) Skills

Another important factor is the skill level of those employed in service sector jobs. Figure 20 provides the skill composition of employment in the EU25. For the service sector in total (including public services) the skill composition of employment is more favourable than that of the total economy and much more favourable than that of industry. The percentage of high-skilled employed in the service sector is higher than that for the total economy and for industry (respectively 29.3%, 24.0% and 15.5%) and the percentage of low-skilled employed is lower (respectively 23.0%, 27.7% and 33.4%). But major differences exist between the different service sectors. If we consider the five broad service sectors in Table 9, financial intermediation and business services emerge as high-skilled services with over one third of those employed being high-skilled and only 8.5% and 16.6% being low-skilled. On the contrary, wholesale and retail trade, hotels and restaurants, and transport and communication are far below the average of services, with low shares of high-skilled and high shares of low-skilled workers. The skill profile is especially negative in hotels and restaurants, where only 8.8% are high-skilled and 42.1% low-skilled. This is the lowest-skilled sector of the whole economy, followed by industry and wholesale and retail trade. These differences in skill levels are one of the main explanations of the wage differences between the five sectors and are also an indicator of more general differences in quality of employment.

Skill composition of employment, EU25 (% , 2003)



Source: Eurostat (2006c)

Figure 20

If we consider developments over time (only available for the EU15), we see that for the total economy the share of high-skilled workers increased by 22.3% and the share of medium-skilled workers by 22.9% in the period 1998–2003 (Table 9). In contrast, the share of low-skilled workers declined by 31% in the same period. For services in general (including public administration) the pattern of change is less favourable. The share of high-skilled workers increased by only 11.7% and that of medium-skilled workers by only 18.2%, while the decline of low-skilled employment is more than one percentage point below that for the total economy. Still, in services, as in the economy as a whole, there is a trend towards an increasing skill profile for employees, resulting from improved educational levels and ongoing study and training.

But the picture is very mixed for the five broad service sectors. The ones where the share of high-skilled was low in 1998 have seen the highest relative increase (36.4% in hotels and restaurants and 26.4% in transport and communication), while the relative change has been most limited in the sectors in which the share of high-skilled workers was already high in 1998 (that is, financial intermediation and business services).

Employment share of different skill groups, EU15 (1998–2003)

	High skilled			Medium skilled			Low skilled		
	1998	2003	Change (%)	1998	2003	Change (%)	1998	2003	Change (%)
Total economy	20.2	24.7	22.3	37.5	46.1	22.9	42.3	29.2	-31.0
Industry	10.9	16.3	49.5	37.3	48.0	28.7	51.8	35.8	-30.9
Services total	26.6	29.7	11.7	39.0	46.1	18.2	34.4	24.2	-29.7
Wholesale and retail trade	11.1	13.4	20.7	42.6	54.2	27.2	46.2	32.4	-29.9
Hotels and restaurants	6.6	9.0	36.4	36.3	46.4	27.8	57.1	44.6	-21.9
Transport and communication	12.5	15.8	26.4	44.0	54.6	24.1	43.4	29.5	-32.0
Financial intermediation	30.2	33.5	10.9	54.7	57.7	5.5	15.1	8.9	-41.1
Business services	37.6	41.0	9.0	37.8	41.8	10.6	24.6	17.3	-29.7

Source: European Commission (2004)

Table 9

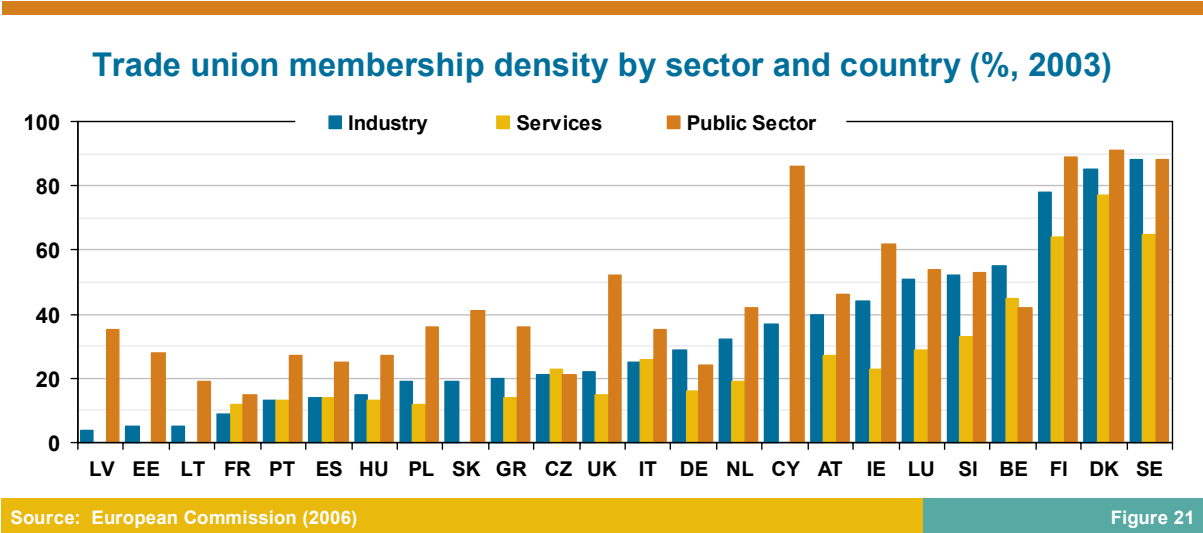
On the other hand, the share of low-skilled workers is declining much faster in financial intermediation than in the rest of the economy, while this decline is by far the slowest in hotels and restaurants. Hence, on the one hand there is a general trend towards less low-skilled employed and more medium- and high-skilled employed. But while the changes in the share of the highest skilled point towards convergence between the five sectors in terms of relative size, the opposite is to some extent true for developments concerning the low-skilled. Indeed, major skill differences are expected to persist between the five sectors in the future.

3. Workers' representation

This section explores workers' representation in the service sector in EU Member States. For trade unions organising in the private service sector there are challenges in terms of recruitment, interest representation and trade union organization and structure. This section discusses these challenges and uses case study examples within UNI-Europa sectors to illustrate trade union responses and to identify potential best practices.

a) Trade union recruitment

The trend of trade union membership density has been downward across Europe, with most EU member states experiencing a fall in density over 1995–2004 (European Commission 2006c). The recruitment of union members therefore represents a key challenge for trade unions across all sectors. But for the private services sector the challenge tends to be greater as trade union membership density is generally lower and more uneven than in industry and public services.



Source: European Commission (2006) Figure 21

Figure 21 shows union membership density by country and sector. There are large cross-national and cross-sectoral differences in membership density rates, with the Nordic countries and Belgium tending to have the highest density rates across sectors. Outside the public sector the lowest membership density rates occur in the Central and Eastern European (CEE) countries of Latvia, Estonia and Lithuania (no data available for service sector), and in France, Portugal and Spain. In relation to membership density across sectors within countries, all Member States, except Belgium and the Czech Republic, have density rates that are lower in the service sector than in the public sector.

In seven countries – Denmark, Finland, France, Greece, Netherlands, Poland and the UK – membership density is high in the public sector, medium in industry and low in services. In Hungary, Portugal, Spain and Italy the pattern is of a relatively high membership density in the public sector with lower rates in industry and services. Belgium and Germany show the highest rates of membership density in industry, with Belgium being the only country in which public sector membership density is lower than both the industry and services rates. The Czech Republic is the only country in which the service sector has the highest membership density, but the difference between sectors is marginal.

There are large differences in the rates of membership density in certain parts of private sector services. For example, banking and transport tend to have higher than average density levels, whereas in commerce – such as retail trade and real estate – density levels have been relatively low in most countries (Dølvik and Waddington 2004). As shown in previous chapters, most of the companies in the private sector services are small and medium-sized enterprises (SMEs). Membership density tends to be lowest in SMEs, with a figure of about 2% density reported for France and 15% for the Netherlands. In Belgium there is little variation in density by size of firm, but this arguably reflects the role of trade unions in administering social insurance funds (EIRO 2006a). The growing incidence of small sites requires unions to support members at an ever-increasing number of workplaces, falling under statutory thresholds for recognition of unions and bargaining rights in some countries. Implicit in the membership challenge is a requirement to develop forms of organisation that strengthen union capacity for support and representation at small sites.

The information and communication technology sector (ICT) sector represents an important example of the challenges of recruitment for trade unions due to the nature of employment in the sector. The ICT sector is growing in economic and employment terms, but the nature of industrial relations in the sector is largely unknown. Industrial relations are very different in the sector’s three main segments: hardware/manufacturing, telecommunications and software/services. While more traditional patterns apply to varying extents in the first two segments, software and services are very much ‘a world apart’. However, recent problems in the ‘new economy’ may be starting to normalise industrial relations in the sector.

Table 10 below presents the estimated trade union density rates in the ICT sector. Trade union membership in the ICT sector throughout Europe is relatively low in most cases.

Unionisation rate of workers in the ICT sector

Austria	Near 100% in telecommunications, 15% in software
Belgium	Lower than the national average (of 70%)
Denmark	85%
Finland	Lower than average
Germany	Relatively high in manufacturing, low in services
Greece	57% (mainly in telecommunications)
Ireland	Very low, except in telecommunications
Italy	30% in manufacturing, 20–25% in telecommunications, 10% in IT and software
Netherlands	7%
Norway	48%
Sweden	58%
UK	Not higher than services average (of 6%)

Source: EIRO (2001) Table 10

Although there are considerable national variations in ICT unionisation rates, where figures are available for the whole IT sector, these are in most cases considerably lower than the national average. In general, hardware and manufacturing have considerably higher unionisation rates than services and software.

In the newer software and services area, unionisation is almost uniformly low – for example, virtually zero in Greece and 10% in Italy. The low membership rate may be related to factors such as: the small size of many companies; the recent origins of much of the sector; the young age of many of its employees; the high level of fixed term or part-time employment, self-employment and other forms of atypical work in the sector in some countries; the fact that workers in some parts of the sector tend to be highly-skilled and relatively highly-paid professionals; and the culture and policies of the companies, both smaller firms with non-hierarchical structures, and larger firms (such as some US-based multinationals) with relatively sophisticated human resource management policies.

In the UK, ICT employees are often seen to be highly skilled, relatively well paid (often with share options) and with extremely independent attitudes, negotiating their own deals within the company or taking their skills and knowledge elsewhere if dissatisfied. But employees with poor working conditions and low wages can be found in ICT-related areas such as warehousing and shipping goods, customer services and call centres. For the British unions, for example, these employees are the key target group for recruitment. UK unions see some encouraging signs in new legislation on union recognition and the right to be accompanied by a union official at grievance and disciplinary hearings.

The recent crash in share prices in the ICT sector and increasing job losses have made workers in this sector change their perspective. In Germany, a change of attitude has already been noticed among ICT employees: a recent survey of 200 works councils in software and IT service companies found that trade union members occupied 60% of the seats. Specific new unions to organise ICT workers are relatively uncommon, though exceptions are found in Denmark and to some extent France (where the CFDT confederation has set up Betor Pub as its ‘new economy’ union, organising in areas such as call centres, advertising and consultancy).

Against a background of falling membership rates in general, recruitment campaigns in the growing IT sector are important to trade unions in many countries. Specific campaigns have been reported in Austria, Finland, Ireland, Norway and the UK. The Scandinavian countries seem to have taken the lead in developing new recruitment methods. For example, in Norway unions have organised campaigns specifically directed at ‘young urban professionals’ and they have reviewed existing collective agreements to see how ICT workers can best be encouraged to become union members. In Denmark and Germany, in acknowledgement of these ‘new’ employees’ wishes, unions have started to inquire into their special needs and culture.

In several countries, this group of workers is being approached via the Internet and e-mail and some unions have sought to become ‘e-unions’. In Denmark, the ‘traditional’ metalworkers’ trade union Metal (founded in 1888), which covers about half of the ICT employees in the technical sector, has set up a dedicated website and a special unit offering advice to IT employees. The Danish union Prosa (founded in 1967), covering mainly programmers, seeks to attract young trainees by offering them free membership, courses and cheap books. Another

Danish union, Sam-data (part of HK), has conducted a ‘lifestyle analysis’ of non-unionised employees in the ‘dot.com culture’ and employs a consultant to visit local HK branches to provide information on this culture. A number of unions have established special sections for IT staff, such as Datafolket set up by the Swedish Financial Sector Union (Finansförbundet) or the Information Technology and Professionals Association affiliated to the UK's Amicus.

These examples show how unions in some Member States have made moves to attract ICT workers. But many trade unions in Europe are worried about the generally low unionisation levels and the lack of collective regulation for this group of workers, which they see as leading to unfavourable employment conditions in some cases (EIRO 2001).

Membership density rates often underestimate the coverage of worker representation and membership density rates are not always the most useful measures for assessing the strength of worker representation within the services sector. In France, for example, which has some of the lowest density rates in Europe, workplace representation is above 50% in all sectors, and trade unions are able to exert influence beyond their membership levels in national and sectoral collective bargaining. However, as with other countries, there are large sections of private sector services that are not covered by any form of collective representation.

Figure 22 shows the percentage of employees covered by some form of workplace representation. In most countries, and in all sectors, the percentages of employees covered by workplace representation are higher than the membership density figures in the respective sectors.

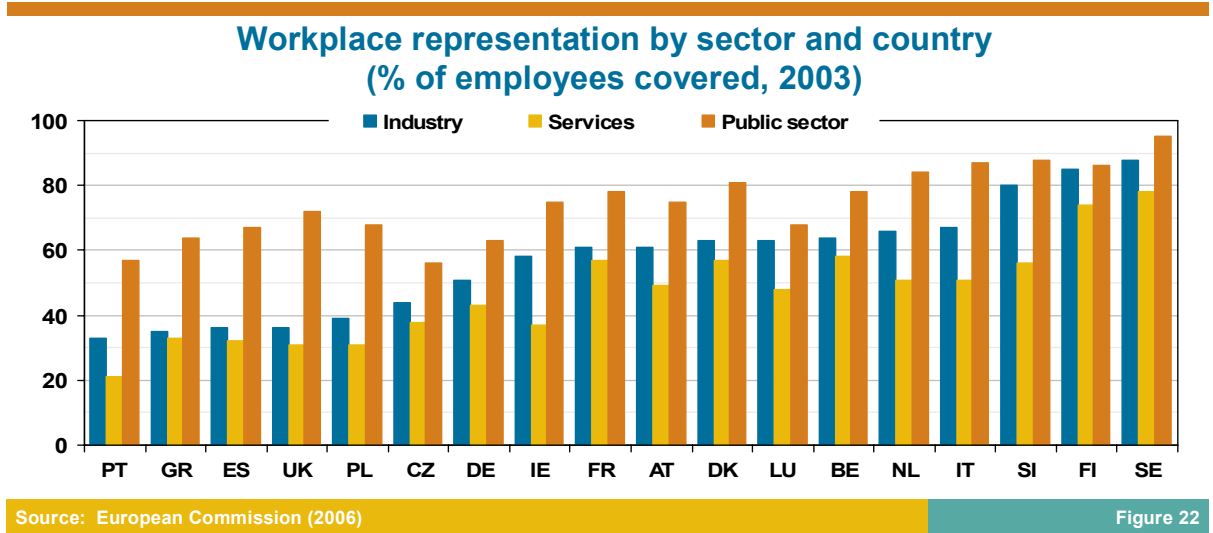


Figure 22 shows that in all countries the percentage of public sector employees covered by some form of worker representation is higher than that of industry and services.

The recruitment challenge in private sector services is compounded by the employers, who have been highly effective in resisting unionisation. The capacity of managers to communicate directly with employees is often cited as underpinning this resistance in so far as it is viewed as ‘weakening’ the demand for unionisation from workers (Kochan et al. 1997).

b) Interest representation

A second challenge for trade unions is in the area of interest representation and specifically for trade unions to represent the growing diversity of interests and employment experiences amongst workers.

First, trade unions are increasingly required to represent the interests of the growing number of low-skilled service workers in areas such as care, catering, fast food, cleaning, call centres and domestic service. These jobs are often occupied by female, young and immigrant labour and are often associated with low pay, high turnover and non-standard employment conditions. In relation to female workers, membership density rates show that there is a trend in most countries for women to make up an increasing proportion of union members (European Commission 2006). But trade union structures do not necessarily reflect this shifting membership composition towards more female members, which has implications for the ability of unions to effectively represent this interest group.

Secondly, trade unions are faced with being able to represent the interests of ‘dependent self-employed’ workers (Pernicka 2005).³ These workers have been classed as mid-way between self-employment and dependent employment as they have characteristics of both: (i) they are formally self-employed, but (ii) they depend on a single employer for their income (European Commission 2006d). But the British union BECTU, representing workers in the audiovisual and live entertainment sector, has questioned the definition of economically-dependent workers as being dependent on a single client/employer for their income. Their members may work for many different clients/employers in any given year and remain dependent on the prevailing terms and conditions in the freelance market. There is no precise and accepted definition of this group of workers and there is variation in the legal recognition across EU countries.

There is also a range of working situations, with some experiencing what has been termed as ‘bogus’ or ‘false’ self-employment, which conceals dependent work and usually concerns a low-skilled, less expensive and less protected labour force (EIRO 2002). In contrast there are jobs emerging in the ICT or consultancy sectors which generally involve well-educated and well-paid autonomous workers. Their ambiguous and potentially precarious status makes these workers a key challenge for trade unions. Trade unions face the tension of representing the potentially competing interests of dependent self-employed workers and workers in more standard forms of employment.

The print media sector has been important in relation to representing the interests of ‘dependent self-employed’ workers. In many European countries, the print media sector has been at the forefront of the organised labour movement, creating trade unions and being involved in industrial relations practices. The print media has undergone changes over time and its current transformation has altered its industrial relations practices. The introduction of increasingly advanced technologies, the relative restructuring and reorganisation of production processes, and the need to create conditions of economic stability are the key issues for companies in the print media sector.

³ These workers have also been termed ‘economically dependent’ (EIRO, 2002) or ‘dependent independent’ (Dølvik and Waddington, 2004).

The reduction of the numbers of workers in this sector has run parallel to other major trends such as outsourcing, off-shoring and the growth of atypical workers. In spite of these trends, in most countries trade unions are traditionally representative organisations that are able to collectively bargain in a bipartite and tripartite fashion. Most of them are also members of the general national umbrella organisation.

The regulation of freelance work is an important issue in the print media sector, for it comprises a wide variety of needs, occupational positions and worker characteristics. Although journalists' trade unions are working concretely on improving conditions for freelancers, some crucial issues remain. Problems arise in defining freelancer status, corresponding protective legislation and collective agreements. It is not clear whether freelancers are considered as self-employed or as wage-earners. But these issues remain crucial in relation to legislation on unemployment insurance funds, legislation on tax and VAT, and further social issues negotiated in collective agreements, such as pensions, maternity leave and sick pay (EIRO 2006b).

In Germany and Austria, trade unions have developed specific strategies for economically dependent workers in the media sector. They have adopted a 'servicing' approach for dependent self-employed members, providing selective goods, such as legal advice and representation before labour courts, further education programmes and a variety of insurance products. This was the case for the 'Mediafon-project' founded by ver.di in Germany. In Austria and Germany there have also been successes in representing dependent self-employed workers through establishing new regulations and minimum levels of protection (Pernicka 2005).

The representation of workers in the print media sector highlights the need for trade unions to develop strategies for representing the diversity of interests in private services. But while there have been initiatives to represent the interests of dependent self-employed workers, there exists some scepticism concerning self-employed members among trade union staff and officials who represents the interests of members with standard employment relationships (Pernicka 2005).

While trade unions have traditionally relied on notions of worker solidarity, according to which individual workers have common immediate interests, the increasing diversity of the workforce has led to a more complex, ambiguous and contentious relationship between individual and collective interests. Unions need to strengthen their appeal to the well-educated service employees, without alienating their core constituencies or losing sight of the growing need for organisation and support of low-skilled service workers (Dølvik and Waddington 2004).

c) Trade union organisation and structure

An articulated trade union is established around cohesive and coherent inter-relationships between workplace, regional, national and supranational levels of organisation and activity (Crouch 1993). The absence of articulation between different levels of a union organisation slows internal reform and often weakens union power vis-à-vis employers, particularly in service industries with multi-tiered management structures. Furthermore, where unions fail to maintain articulated structures, the coordinating capacity at central level is impaired and workplace activity is often isolated and relatively ineffective. This is particularly important given that 'the most important factor explaining union growth or decline since 1975 appears to

be whether or not, and to what degree, unions were recognised and present in the workplace' (Boeri et al. 2001).

Redeploying resources and improving articulation with workplace union organisations is thus a priority. There has been a trend towards the decentralisation of bargaining, which has increased the need for unions to focus on developing structures of representation at more decentralised levels. In the service sector the concentration of unions through mergers has been a common feature over the last two decades (Dølvik and Waddington 2004). But it is important to emphasise the diversity of experience in different countries in relation to overall union structure. The example of the retail sector is presented below to show the diversity of trade union structures.

Retail is a highly important sector, employing over 20% of the workforce in service sectors in 2005. Around 60% of retail workers are women, and there is also a high proportion of young and low qualified workers. Pay is relatively low and there are high levels of part-time work and weekend working. The industry is undergoing major structural change, with processes of concentration and diversification, and pressures for the restructuring, deregulation and reduction of employment.

In terms of their overall trade union structure, some countries have the relatively simple situation of a sole or dominant confederation, with only relatively minor alternative confederations or relatively few non-member individual unions: this group includes Austria, Germany, Ireland, Latvia, Slovakia, Slovenia and the UK.

In Germany, one union (ver.di) represents all service workers, including retail. In Ireland, Latvia, Slovakia and the UK, there is a single significant union organising retail workers, generally as part of commerce or trade more widely, and sometimes including some neighbouring sectors (for example, bars in Ireland). In Austria there are two significant unions organising in retail, both affiliated to the country's single main trade union confederation: one (GHTV) organises blue-collar workers in retail (plus wider commerce and transport), while the other (GPA) organises white-collar workers across the private sector. In Slovenia, there are also two unions, the larger one belonging to the dominant confederation and the other to a much smaller confederation.

In the Nordic countries (Denmark, Finland, Sweden and Norway), the general picture is of separate confederations for different occupational groups, typically blue-collar, white-collar and professional/academic, though the demarcation lines vary between countries. In the retail sector, only unions affiliated to the largest (generally essentially blue-collar) confederation have a significant presence in Denmark (a single main commerce and clerical union, HK) and Finland (one main services union, plus some members of the transport workers' union and a specialist union for commerce supervisors). In Norway, there are two white-collar unions representing specific groups in retail, alongside the dominant (mainly) blue-collar union (HK), while in Sweden there are significant trade unions for both blue-collar (Handels) and white-collar (HTF) workers, although the former is significantly larger.

In many other countries there are multiple competitive trade union confederations, mainly divided (at least originally) on political and/or religious grounds. In some cases this situation is reflected, in all its aspects, by the retail sector, with the main confederations all present and active through sectoral sections or unions/federations; sometimes covering commerce only, sometimes related sectors as well, and sometimes the whole of services. This is the case, in varying ways, in France (five confederations), Italy (three), Cyprus (three), Belgium (three), the Netherlands (two, plus a union for managerial and professional staff), Spain (two) and Bulgaria (two).

In Belgium, the two largest confederations each have three unions active in retail – sectoral unions for food/services and metalworking, plus cross-sector white-collar unions – while the third (smaller) confederation is present in retail, but not organised along sectoral lines. In Spain, alongside the two unions affiliated to the main confederations, two ‘corporate’ unions have majority support in large retailers. In Hungary, despite the existence of different confederations, there is only one dominant union in the retail sector.

In Malta, there is only one union confederation, but the largest union (GWU) is not a member. GWU is represented in retail through two separate sections. Finally, in Greece there are different union confederations for the public and private sectors. An affiliate of the private sector confederation (GSEE) is the main union representing retail workers (EIRO 2004a).

The retail sector highlights some important issues for the structure of trade unions within different countries. Whilst there has been a concentration of unions, the example of the retail sector highlights the continued diversity of experience in relation to structure and organisation. In some countries there has been a concentration of trade unions within the services sector, for example ver.di in Germany, which can be seen as an attempt to gain economies of scale and to exploit recruitment possibilities in order to be able to respond more effectively towards the trends of decentralisation and internationalisation. However, in other countries trade unions are competing to represent the same workers, which may strain the resources of trade unions and lead to a preoccupation with maintaining union organisation in a context of union competition.

Challenges and drivers in the services sector

The following section offers an overview of the main factors driving the shift to and growth of the service economy, such as structural change, increasing trade and investment in services, liberalisation of services and technological progress. The drivers and challenges in the service economy are discussed in relation to their implications for employment in the service economy as a whole and with reference to UNI -Europa sectors.

a) Implications of structural change

In recent decades the EU member states have experienced a significant change in employment structure, namely an increase in the size of the service sector relative to manufacturing. Whether measured in terms of employment or value added, the service sector by far dominates the economies of the EU member states. The factors accounting for the structural shift to a service economy and therefore for the upward trend in services' employment share can be grouped into three main strands.

The first explanation is the shift in the structure of final demand from goods to services (Clark 1951). Many consumer services, such as leisure and personal services, have a high 'income elasticity of demand': in other words, as income grows, a higher share of income is used for the purchase of these services. Food is a good example. At low income levels spending on food is a high proportion of total spending and falls as income rises. At higher levels of income, spending on food (a good) is increasingly replaced by eating in restaurants (most of the value-added of which is a service). This structural demand shift is an important driver of the rising share of services in GDP and employment, especially in the UNI-Europa sectors such as tourism and also hair and beauty.

A related but different type of demand-based explanation for the growth of the service sector comes from the increased participation of women in the labour market and the ageing of the population in Europe. In recent decades, more and more women have entered paid employment. One of the effects of this process has been a growth in the demand for services such as childcare and household services: rather than being provided through unpaid (female) labour in the home they are purchased on the market or, in some countries more than others, provided through the public sector (Cancedda 2001). At the same time, these sectors tend also to be those with a high concentration of female employment. Increased female participation and the ageing of the population have also led to the decrease in the time available to working household members to cook meals at home and therefore an upward trend in eating out (European Foundation 2003). This demand is met, among other things, by take-away restaurants and food shops, an increased and diversified supply of ready meals, and food delivery services for

elderly people (Cancedda 2001). At the same time as more and more women are entering paid employment and less engaged in care for the elderly, the proportion of elderly persons in the overall population is increasing. Together, these two factors have led to a growing demand for elderly care services. Both trends – namely growing numbers of women entering paid employment and the ageing of the population – are expected to continue in the future, which will have further positive demand effects for the services mentioned.

The structural trends on the demand side are also reinforced by differences between goods and services production on the supply side, specifically by differential productivity growth in services and industry (Baumol 2001). The scope for achieving labour productivity growth is generally lower in services than in manufacturing: rationalisation and mechanisation enable a single worker to produce more and more goods, but this is not possible in services (teachers or hairdressers are oft-quoted examples). As a result, over time employment tends to get concentrated in services, as labour is squeezed out of industrial production and absorbed by the service sector. At the same time, one needs to be careful with this argument, as productivity in services is often extremely difficult to measure. Moreover, some services, such as industrial cleaning, do appear to have achieved substantial productivity growth (through technological developments, but also longer working hours).

Last but not least, the rising share of services in GDP and employment is due to the increased outsourcing by manufacturing industries of their service activities to firms specialized in the provision of such services and, secondly, increasing manufacturing sector reliance on services (Greenhalgh 2001; Russo and Schettkat 2001). In relation to the first factor, increasing employment in services is then essentially a statistical effect: previously so-called manufacturing firms actually performed a large number of service activities in-house. These are now increasingly being provided by specialist firms, located in the service sector (and thus usually organised by service rather than industrial unions). Due to a lack of statistical information with regard to demand for services in the different sectors of the economy, the interrelationship between the sectors is currently not well documented. But the expansion of service sectors such as accounting and other business services, security services and cleaning to a considerable extent reflects the trend of outsourcing tasks previously done in-house to specialised businesses in the service sector. In relation to the second factor, services employment growth is affected by the increasing reliance of the manufacturing sector on telecommunications, business and other computer services which have grown strongly over the past decade. According to the OECD, services contribute about one-quarter to total intermediate consumption by the manufacturing sector in most large economies (OECD 2003).

b) The acceleration of technological progress

Advances in technology and in particular developments in ICTs have had a significant impact on the ways in which services are produced, consumed and traded across borders. The widespread use of ICTs also has important implications for the cost structure and relative competitiveness of both firms and entire industries (Daniels 2003). Technological developments have resulted in a growth of high-tech industries such as computer and office equipment, communications and knowledge-based services such as telecoms, computer and information services, finance and insurance. Furthermore, technological developments have

also led to the horizontalisation of services, meaning that it is becoming increasingly difficult to treat services as discrete activities but more as part of a more integrated production system (Daniels 2003). As a result, boundaries between goods and services are becoming increasingly difficult to identify and measure.

Technological change has significant impacts on service employment in a number of different respects. The use of new technologies in sectors such as telecommunications and finance, but also retail trade has resulted in a fall in employment, especially in more traditional forms of clerical work. Many of the processes that were once done by hand are becoming more automated (for example, increasing use of registers without cashiers); leading to a decreased demand for certain workers. On the other hand, rapid changes in technology are new demand for skills and competencies across most service sectors, resulting in the creation of new types of job. For instance, technological changes in the printing industry have had a tremendous effect on the skills needed (for example, new presses now require operators to possess basic computer skills). While traditional jobs in the sector are also disappearing, in exchange there is a growth of new desktop jobs and atypical jobs (distance working, tele-working).

Furthermore, technological developments have transformed the way in which most service sector workers perform their tasks, with both positive and negative implications for existing jobs. One of the positive examples is the cleaning industry, in which new technical developments (for example, wireless and silent vacuum cleaners) have increased possibilities for daytime work and therefore have created substantially more opportunities for full-time work which can improve employees' motivation, professionalism (easier access to professional training) and recognition (cleaning is no longer anonymous). For example, in Sweden daytime cleaning represents 78% of the total. This also applies, though to a lower extent, to the Czech Republic and Denmark, where it covers almost half of the total (European Federation of Cleaning Industries 2004).

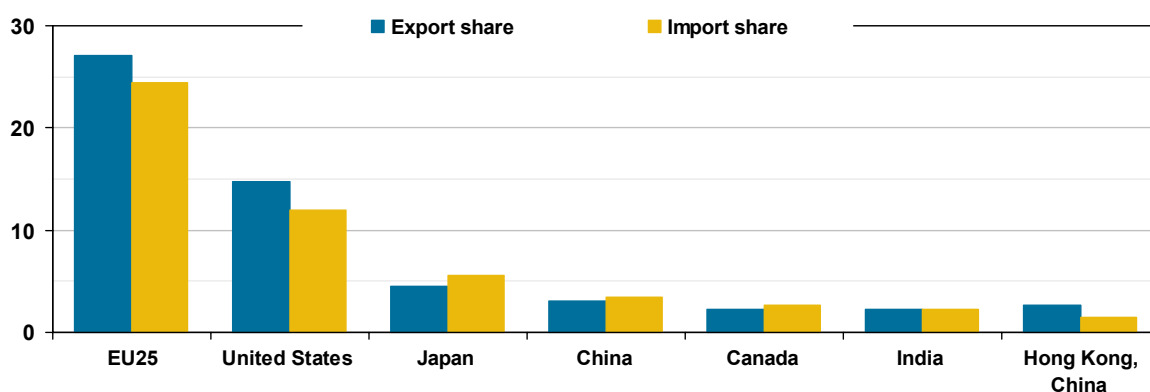
Technological developments can also make it easier to outsource service activities. First, technological changes are contributing to the outsourcing of certain tasks from manufacturing to services. Although the practice of outsourcing is normally associated with low-tech services, such as catering and cleaning, there is a growing use by the manufacturing sector of knowledge-intensive business services such as computer services, legal, accountancy and advertising, among others. This reflects not least the reduced communication costs due to ICTs. Partly as a result, the knowledge-based service sectors have experienced job growth in response to rapidly growing demand from businesses and consumers. At the same time, developments in information and communication technologies are contributing to the internationalisation of services (where service provider proximity to the consumer is no longer a prerequisite of service provision) and therefore to the cross-border outsourcing of services such as accounting and call-centre jobs to countries with lower labour costs. This could have a negative effect on a number of KIBS companies operating within the EU and therefore negative implications for employment (EMCC 2005b). Even certain health-sector tasks – where previously face-to-face contact was deemed indispensable – have become 'tradable', the work of radiologists being an oft-cited example.

c) Growth of cross-border trade in services

The growth of the service sector has also been accompanied by the rising share of services in cross-border trade. Technological developments, reduced transaction costs and separability of business functions are some of the forces that to a great degree promote tradability and hence globalization of services. Indeed services previously considered non-tradable are becoming subject to the same sort of import competition that has long been a driver of structural change in European manufacturing. These trends have important implications for output and employment in the service sector in the EU.

As Figure 23 shows, the EU25 is by far the world's largest exporter and importer of services, with 27% of global exports and 24.4% of imports, almost double the respective figures for the USA (14.7% and 12%). Japan and China follow at a considerable distance. Further sectoral breakdown shows that transport accounted for 22% of intra- and extra-EU trade flows of commercial services, travel for around 30% and 'other commercial services' for over 50% (WTO 2006).

Shares of services exports and imports (% , 2005, excludes intra-EU trade)



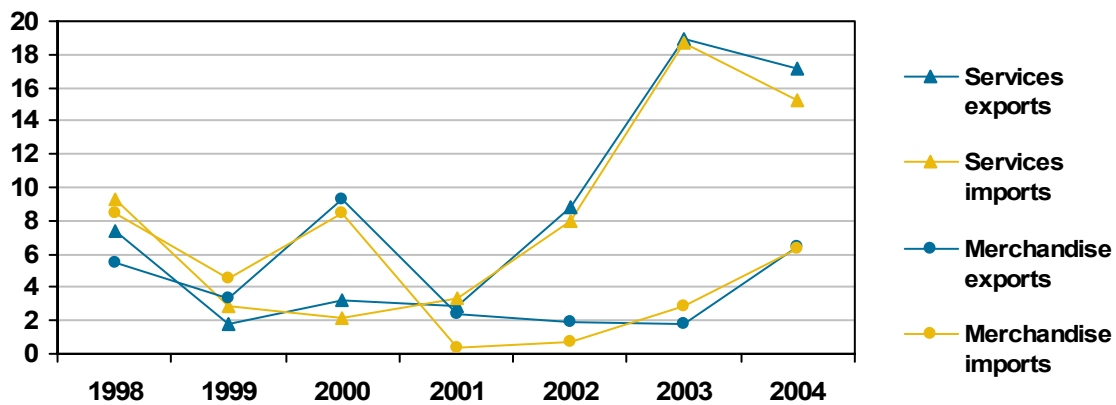
Data source: WTO (2006)

Figure 23

Nevertheless, it is often underlined that the economic importance of services (77% of GDP and a similar proportion of overall employment) is not reflected in services trade. Such figures are used to justify the argument that that 'services are the area of European comparative advantage with the greatest potential for growth in EU exports' (European Commission 2006a). Often trade barriers are identified as holding back services trade, leading to initiatives such as the Services (Bolkestein) Directive for internal and the GATS for external trade in services.

But it is important to note that for several years now services have been the fastest growing part of EU trade, recently growing more than 10 percentage points faster than goods trade (although both sets of figures are influenced heavily in the short term by cyclical, exchange rate, and import price factors).

EU trade in goods and services (% annual change, 1998-2004)



Data source: WTO (2005)

Figure 24

While not affecting all countries and all service sectors in the same way, the rising surplus in services trade will generally result in more output and employment in the EU.

d) Liberalisation of services trade

Trade liberalisation decisions taken at the WTO and the EU have increasingly important implications for services employment in the EU, in terms of both levels of employment and quality of jobs.

Internal liberalisation – Services Directive

The Services Directive, which has been one of the most bitterly disputed pieces of EU legislation in recent years, aims to create an open internal market for the services sector, reducing the non-tariff barriers inhibiting freedom of establishment and reducing barriers to the freedom to provide services. These aims are pursued through a mixture of cooperation, mutual recognition and harmonisation tools. The Directive covers business services (such as management consultancy, certification and testing, facilities management (including office maintenance and security), advertising, recruiting, services relating to intellectual property rights and services of commercial agents, and services provided both to businesses and to consumers (for example, legal or fiscal advice, real estate services, construction – including architects – distributive trades, and travel agencies), and consumer services (for example, tourism, leisure services, sports centres and amusement parks). Furthermore, the services covered by the Directive include services of general economic interest. Member States can define which services belong to this category, but typically the definition includes postal services, water supply, electricity and waste treatment, and only a certain proportion of the provisions of the Directive apply to these services. The Services Directive excludes sensitive sectors, such as health care and social services, temporary employment agencies and private security services, and audiovisual services. Moreover, services already covered by sector-specific legislation, such as financial services, electronic communications and transport (including port services), are excluded.

In the debates that accompanied the legislative process, figures such as those from Copenhagen Economics (a research institute commissioned by the European Commission) which predicted 600,000 new jobs and an increase in consumption by 0.6% following implementation of the Directive were widely quoted (Copenhagen Economics 2005). The logic behind the results is that lower barriers will bring down operational costs and stimulate competition within and between Member States. This will lead to lower prices, higher productivity and higher wages, all of which will stimulate demand and give rise to a net gain in new jobs, value added and consumption. But these figures need to be used with caution for a number of reasons (for example, the model assumes full employment in EU Member States, does not take the cost of implementation of the directive into account, and so on). In contrast, critics of the directive, including trade unions at European and national level, have raised serious concerns regarding the negative impact of deregulation, erosion of workers' rights and protection, lowering of standards of social and environmental protection and threats to the supply of essential services to European citizens.

After almost three years of debates a number of important amendments were introduced to the original 'Bolkestein Directive' before adoption by the European Parliament on 15 November 2006. In the proposal, the country of origin principle was abolished, enabling Member States to exercise better supervision and to apply national rules to protect the public interest; labour law is excluded, and in particular issues linked to the posting of workers; fundamental rights to collective bargaining and action are to be respected. The Services Directive will enter into force in December 2009.

External trade liberalisation – GATS

GATS is a legal multilateral framework for international trade in services, which was negotiated in the Uruguay Round of global trade talks and came into force in 1995. The aim of the Agreement is progressive liberalisation of services trade through regular negotiation rounds. The GATS negotiations involve a request and offer system: countries put forward requests representing what WTO Members seek from other trade partners in terms of liberalisation of trade in services, and offers representing what Members are prepared to put forward in terms of market opening. According to the original schedule, the final draft schedules of commitments for the current – Doha Development Agenda – round were due by October 2006. Given the suspension of the DDA, services talks were also suspended. At the time of writing, it was unclear when the GATS negotiations would be resumed.

The EU GATS offer includes a large number of sectors covered by UNI-Europa, in particular finance, telecom, distribution, professional services, IT and tourism. Postal services are also included and have become a very important element in the current GATS negotiations.

It is often claimed that service liberalisation under GATS has the potential to create more jobs. As with the internal liberalisation of services trade, opening markets for services to international competition is expected to encourage quality improvement and process innovation, reduce the scope for wasteful resource use and rent-seeking, constrain the power of individual economic operators, and ensure that users have continued product availability under reasonable conditions (WTO 1998). In contrast, critics, including trade unions and some NGOs, stress that the GATS negotiations are based on a blind belief in the economic

and social benefits of liberalisation which is not supported by impact assessments in either overall terms or on a sectoral basis (Education International 2001; UNI 2002).

To date, GATS offers have mainly represented a ‘standstill’ exercise in the sense that the commitments reflect the existing situation and no new opportunities are being offered. Moreover, the submitted offers are preliminary in the sense that negotiation of their content has yet to start. Therefore, much of the attention generated by GATS arises from the potential impact of the outcome of the negotiations rather than concrete achievements. But due to unclear GATS provisions, the wide scope of the Agreement and lack of assessment, GATS has given rise to a number of concerns among trade unions, in particular with respect to the regulatory capacity of governments (and social partners), access to public services and possible implications for the number of jobs, pay and working conditions in the EU (UNISON 2003; ICFTU 2003; see also below under Migration).

e) Privatisation/marketisation

One of the most important trends in service-sector development is the marketisation and privatisation of public services against the background of a broader trend towards liberalisation and deregulation. Although differing in scope and intensity across the EU Member States, it has led to a complex mix of public and private activities, causing shifts in the boundaries between public and private services. The main arguments for the introduction of the private sector focus on the need to improve the performance and efficiency of the service sector. But experience with privatisation and marketisation has been uneven and controversial, and the impact on the output, price and quality of services has not been consistently positive, leading in some cases to concerns among citizens’ and consumer groups. Furthermore, the marketisation and privatisation of services has had an impact on the quantity and quality of employment in the sectors concerned. Certainly, the major changes in these sectors pose new challenges for trade unions. An assessment of these effects in the framework of this study is complicated, although public sector workers are mostly organised within EPSU affiliates, whereas their private-sector counterparts tend to be in UNI-Europa unions (a notable exception are postal, telecommunications and public broadcasting services in the EU). This important driver of change in the broad service sector is therefore not analysed further here.

f) FDI development in services

Foreign direct investment

The sectoral composition of FDI has been shifting towards services since the 1980s. This has coincided with the growing international service trade, especially in intermediate services (inputs to manufacturing). The cumulative result of this shift is that in 1998 intra-EU FDI stocks invested in service activities were 60% of total FDI, reaching 80% by the end of 2003; the corresponding share of FDI stocks resulting from investments from outside the EU in services represented 56% in 1998 and 75% in 2003. In comparison, the share of intra-EU FDI stocks in manufacturing *fell* from 34% to 15% and from 37% to 19% for extra-EU FDI over the same period.

FDI stocks in services and manufacturing (1998, 2003)

	1998	2003
Extra EU FDI stocks in services	56%	75%
Intra EU FDI stocks in services	60%	80%
Extra EU FDI stocks in manufacturing	37%	19%
Intra EU FDI stocks in manufacturing	34%	15%

Data source: Eurostat (2006a)

Table 11

While the intra-EU FDI stocks in all types of services grew, the growth was most pronounced in financial intermediation (from 35% to 55%) and in transport and telecommunications (from 5% to 9%) mainly due to increased investment in telecommunications during 1999–2001. The relative importance of investment in the trade sector declined from 16% in 1998 to 7% in 2003 and from 41% to 27% in business services. As regards foreign investment flows from outside the EU, financial intermediation and business services accounted for the biggest share throughout 1998–2003 (European Commission 2006b).

In general, the increasing cross-border flow of FDI has led to increased competition among countries to attract foreign investment. But foreign investment is not necessarily good for employment growth in the receiving sector, as seems to be the case in financial intermediation, which saw the highest increase in share of total intra-EU FDI stock and FDI from outside EU, but at the same time experienced the slowest (and in some countries negative) employment growth. Especially in the New Member States, inflows of FDI are often associated with significant improvements in productivity that can, in the short run at least, have negative employment effects (for example, FDI by a big international retailer may destroy local retail jobs in smaller shops).

Outsourcing and offshoring

Increased levels of FDI and technological advances, combined with the enlargement of the European Union in 2004 and the further integration into the global economy of low-wage countries such as China and India, have also raised concerns about low-wage competition, outsourcing and offshoring in the service sector (for a general analysis of this see Galgóczi et al. 2006). As we have seen already, technological change – above all the accelerated development of information and communication technologies – has meant that service activities that were previously non-tradable have become tradable and thus became subject to international competition, outsourcing and off-shoring. Outsourcing and offshoring are also made more attractive to employers by the substantial wage differences within the EU25 (especially the West–East differences) and between Europe and the low-wage countries in particular in Asia. (At the same time, these wage gaps are closing steadily, at least within Europe).

But technological possibilities and wage differences are only two of many factors that can play a role in firms' decisions regarding whether to remain in their current location or to shift some of their economic activities abroad. Some factors act as incentives to consider such a

shift, others as disincentives. First, certain types of job can simply not be relocated: for many services close proximity to the customer is vital. The most obvious examples are personal services where the person performing the job has to be physically close to the receiver of the services (for example, hairdressers), but many other types of services fall into this category. Also, in certain types of firm it is complicated to split up production processes or to engage in long-distance management because of technical or size-related reasons. Second, there is the question of whether relocation leads to lower costs (for a given product quality). This depends on wage levels – judged in terms of labour productivity – but also on, for example, training costs, transport and other logistical costs, the available infrastructure, costs related to regulatory barriers, taxes and state support. Thirdly, firms must consider whether employees with the required education and experience are available elsewhere, or whether there are cultural and language obstacles. Fourthly, there is the wider social and political context, ranging from the industrial relations climate to issues of political and economic stability.

A recent McKinsey study looked at potential and actual international relocation and provided a useful analysis of the discrepancy between the two in the case of services (McKinsey Global Institute 2005). Offshoring of service jobs from high- to low-wage countries is constrained – at the aggregate level at least – by demand more than by supply: that is, under current conditions Western firms do not want to outsource as many jobs as there are people in other countries who would like to take them. A very considerable proportion of service jobs – around 11% – could, in theory, be located anywhere in the world. There is also a substantial potential supply of labour in low-wage countries, far in excess of current and expected demand for the coming years. But compared with these numbers actual relocation is extremely limited for reasons such as those mentioned above, as well as a number of supply-side issues in low-wage countries. These may include inadequate skill levels, language and cultural factors, labour shortages in particular, FDI-intensive locations, and other things.

Nevertheless, ongoing technological developments and the upgrading of education, infrastructure and other factors in low-wage countries may increase both the range of services that can be subject to outsourcing and offshoring and the potential gains from such processes. Also, unions and workers are increasingly coming under pressure to make concessions in collective bargaining by employers using the threat of relocation as a bargaining weapon (even if there is no intention of moving any activities). The risk here is that throughout Europe workers will systematically lose out to capital owners, being played-off against each other, and that wages and working conditions will decline across the board. Furthermore, the decentralisation of bargaining and the activities of an increasing group of multinational companies have made the maintenance or regeneration of articulated union structures, activities and organisation more difficult. Unions have to consider how to deal with such pressures, for example by improving their information on the actual state and intentions of companies, or through cross-border coordination of collective bargaining.

Mergers and acquisitions

The most important single factor behind the increase in FDI is cross-border mergers and acquisitions, with services accounting for 56% of total M&A sales and 64% of purchases (UNCTAD 2006). The most important sectors in terms of value of M&A in 2005 were business services, transport, storage and communications. Financial services also continued to

play a prominent role in M&A activity with 23% of sales and 63% of purchases of all services sector companies. Consolidation in the banking, investment and insurance business, and the need to spread the costs of large investments in new information technologies are seen as main reasons for a large number of deals. Another UNI-Europa sector, wholesale and retail trade, has reduced its share in service-sector M&A sales by more than half in the last decade to roughly 8% of sales and 5% of purchases. Still, the value of sales deals in this industry increased steadily to almost US\$ 30 billion in 2005.

The impact on services employment due to M&As is not uniform for all sectors. For example, the UNI-Europa survey carried out in 2000 estimated that 130,000 jobs in the financial sector in eight countries were lost due to M&As and takeovers in the 1990s (UNI-Europa 2000). Unlike other sectors in which the effect of M&As on employment levels has been mostly negative, European Foundation research shows that consolidation in the commerce sector has not necessarily led to job cuts directly in the merging companies. Employment in commerce, especially the retail trade, has continued to grow in tandem with trade globalisation. But consolidation of the sector has, in many countries, had a destructive effect on jobs in small and medium-sized enterprises as they get ‘crowded out of the market’ by their bigger and better-resourced multinational competitors. Although there are job gains in multinationals, the ILO report states that these are usually insufficient to offset losses incurred in smaller organisations (ILO 2003).

Financialisation

In addition to ‘normal’ M&A activities, workers and unions are confronted with the threat of takeovers by so-called Private Equity funds, concentrations of private capital that can run to billions of euros. A number of these funds (Blackstones is the biggest with over USD 30 billion under management) amount de facto to the largest employers in the world, but, by operating in the shadows, they often seek to bypass the normal responsibilities of employers, including engaging in trustful industrial relations with unions. Moreover, the activities of some (but not all) of these funds are reminiscent of the leveraged buy-out mania of the 1980s. Firms whose share price is temporarily depressed are bought up, their assets and capital (including workers’ pension funds) are liquidated and pocketed by the firms while longer-term investment is slashed, threatening the longer-term future of the company and employment.

In most cases the purchase price of the firm is not paid by the fund itself, but is borrowed and the resulting debt is saddled on the firm, which then has to produce, in the short run, a massive flow of income to service this debt and enrich fund members. Incumbent management is enticed to participate by being offered lucrative incentives. Those managers genuinely interested in the long-term future of the company are removed. For workers, the pressure to earn high returns leads to redundancies, outsourcing and offshoring, and pressure to reduce wage costs and other employee benefits. While not specific to the service sector, there have been a number of high-profile cases there (for example, Gate Gourmet, Hertz).

g) Increased cross-border mobility of workers and service providers

The increased cross-border mobility of workers between the new Member States and the old EU Member States is an important element that has stirred controversial debates on its impact on labour markets in Europe. It's clear that the increased cross-border mobility of workers brings a number of potential costs and benefits for both migrant sending and receiving countries. The aggregate positive or negative effects of labour migration depend on the characteristics of both migrant workers (relative to incumbent workers) but also of labour markets in sending and receiving countries. Users of immigrant labour (employers, service consumers) mostly benefit from increased inflows of migrant workers, but negative implications could be expected for suppliers of the same services (workers with similar skills or in similar occupations) in destination countries (vice versa in source countries). Immigrants themselves are expected to benefit ('rational expectations') from higher wages, although anecdotal evidence shows that the expected benefits are not always realised as immigrants are often the worst off in labour markets.

One way to think about this is to distinguish between a best- and a worst-case scenario. The aggregate effects will be most positive for both sending and receiving countries when: a worker leaves a country where his/her skills are in excess supply (un(der)employment) at low wages/income and takes up work appropriate to those skills at a higher wage in a country with excess demand in that area, remits a proportion of the earned income and subsequently returns to the source country with higher skills/productivity to a relatively higher-paying job. Aggregate effects are likely to be most negative where young employed workers with critical skills but on low wages leave – and thus threaten the economic development of the home country – to take up unskilled (but higher-paying) work in high-unemployment, high-wage economies, adding to pressure (wages, unemployment) on the already disadvantaged, while suffering skill erosion, loss of status, and so on.

More detailed work would be necessary to determine whether migration within the enlarged EU to date has been closer to the positive or negative extreme of the spectrum of possibilities described above. Some quantitative evidence is available for the UK where no transitional arrangements for movement of workers from the CEE countries were introduced (although limitations on the free movement of workers from Romania and Bulgaria have been imposed). An estimated 600,000 migrants have gone to work in the UK in the two years since enlargement, 62% of them from Poland (Gilpin 2006).

But these data do not account for the fact that a large number of labour migrants from the new Member States go to work abroad only for a few months. Therefore it is not clear how many people of the estimated 600,000 have left and then re-entered UK for temporary work. The same study shows that most of the migrant workers were employed in the service sector, such as hotel and restaurants, construction and social services. The sectoral concentration of migrant (foreign) labour suggests that they tend to find low-skill employment. Moreover, the OECD has provided direct evidence of a substantial (more than for native workers) over-qualification of migrant workers for the jobs they do, meaning that high- and medium-skilled migrants often work low-skill jobs, raising the question of whether such migration is really economically beneficial (OECD 2006b). Furthermore, the UK pay data show that new applicants from CEE earn around half the hourly wage of local employees, suggesting downward pressure on wages for the low-skilled native workers with whom they are competing. But no effect on

unemployment in the UK could be discerned. In UK migrants from CEE are widely seen – also by the trade union movement – as making a positive contribution to the UK labour market, but this positive evaluation is conditioned by the relatively high economic growth in the UK, and might change if economic growth slows down or unemployment increases.

Another important aspect in labour mobility debates is temporary movement of service providers (Mode 4) in the context of GATS (whose workings were described above). To date, flows of Mode 4 workers have been limited. Nevertheless, GATS Mode 4 emerged as one of the major topics in the GATS negotiations. In terms of the implications for the EU as a receiving ‘country’, the impacts of liberalisation of Mode 4 are specific to the category of workers in question and their skill levels, length of stay and wages that might be paid in the host or home country. Relatively few concerns may be raised about intra-corporate transferees whose movement is permitted under GATS. But increasing movement of contractual service suppliers who are employees of foreign firms or independent professionals, and a potential increase in flows of medium- and low-skilled service providers tend to raise important questions and concerns. For example, proponents of Mode 4 liberalisation argue that temporary foreign workers are generally more a supplement than a substitute for local labour, and temporary workers are brought only to those sectors where there is a shortage of workers. Yet the opposite may also be true. Service providers that move temporarily under Mode 4 could provide direct competition for service providers in the host country, for whom the occupation in question is permanent. Although migration under Mode 4 is temporary, it is possible that the growing number of such stays and the continuous influx of workers could create significant competition for local workers. Unclear GATS provisions that could allow for the use of Mode 4 workers on a rotating basis contributes to such fears. The availability of temporary foreign workers could also undermine pressures to address labour shortages through increased training of nationals or improvements in pay and working conditions. For example, in sectors like IT, employers in Europe often prefer to hire cheaper labour from elsewhere rather than retraining workers. Temporary foreign workers tend to be concentrated in sectors such as health care, information technology, hospitality and catering, and construction. The implications of increased mobility of temporary service providers will vary among these sectors.

Increasing cross-border mobility of workers and service providers is very significant for the trade union movement. Trade union activities to reach out to vulnerable migrant workers and find out how well their rights are being enforced are very important. In response, for the first time since the Second World War a trade union branch consisting entirely of migrant workers was formed in Britain in October 2006. Another example is the creation of Polish branches in Southampton and Glasgow, with others to be launched across the country (where there are large pockets of Polish workers). Furthermore, links have also been established with Polish unions, and the North West TUC brought over a national organiser from Solidarnosc to give advice on employment rights. The TUC now attends job fairs in Warsaw, and many unions have a Polish-language section on their websites and application forms. Discussions are also under way concerning whether to allow Poles to join unions before they arrive in Britain and pay dues once they have started work. Such initiatives are seen as having a profound effect on the union movement and help to break down barriers between the new arrivals and those who have voiced suspicions that they are being used mainly to undercut the existing workforce (Campbell 2006).

Part 3

Employment outlook for services

This section offers some insights into the potential for service-sector growth and job creation in the EU in the future, where possible differentiating between different services. The job creation potential in terms of number of jobs and quality of employment is analysed in light of the main drivers and challenges identified in the previous section.

The rapid growth of the service sector in the last few decades has been one of the most prominent social, political and, especially, economic trends in almost all countries. The service sector already accounts for almost three quarters of output in EU Member States. The growth of existing service industries, the development of new services – not least in light of technological, demographic and other trends – and increased internationalisation suggest that the service sector will continue to increase in scope and intensity.

The analyses in this report have shown that economic and employment growth through developing services is a complex issue, which gives rise to a broad range of opportunities and challenges. This primarily reflects the very heterogeneous nature of services, and thus the diversity of trends within the service sector. The challenges and growth prospects differ across service subsectors, depending on their structural characteristics, including potential for technological change and productivity growth, scope for domestic and international competition, among other factors.

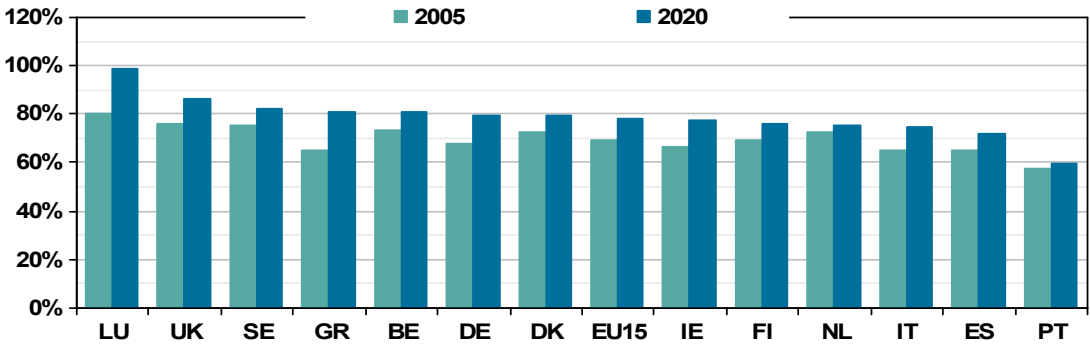
First, the potential of the service sector to create new jobs should be viewed in the context of structural change in the economy. In the last decade the employment share of services in the EU has continued to rise, while the share of employment in agriculture and manufacturing has continued to decrease. There are no reasons to suppose that this trend will be reversed.

While one should always be cautious of predicting future developments by a simple extrapolation of recent trends, it does provide a starting point for assessment. The following calculations take average annual growth rates for total employment, overall service-sector employment and employment in service subsectors in the last ten years, and then project employment levels and shares 15 years into the future.⁴ As a second step we attempt to gauge, qualitatively, the strengthening or waning influence of individual drivers.

⁴ Because only a short period (5 years) was available for EU25 employment growth rates, which furthermore might have been distorted by business cycle effects, the projections are only made for the EU15.

On this basis, Figure 25 shows that, on current trends, by 2020 80% of all employment in the EU15 will be in the service sector. By 2020 in Luxembourg employment in services could reach over 95%, and in the UK, Sweden and Greece over 80%. However, employment in services in Portugal will remain at around 60%, suggesting that differences in service employment shares will remain substantial across the EU.

**Employment in services in selected EU member states
(% of total employment, 2005 and 2020)**



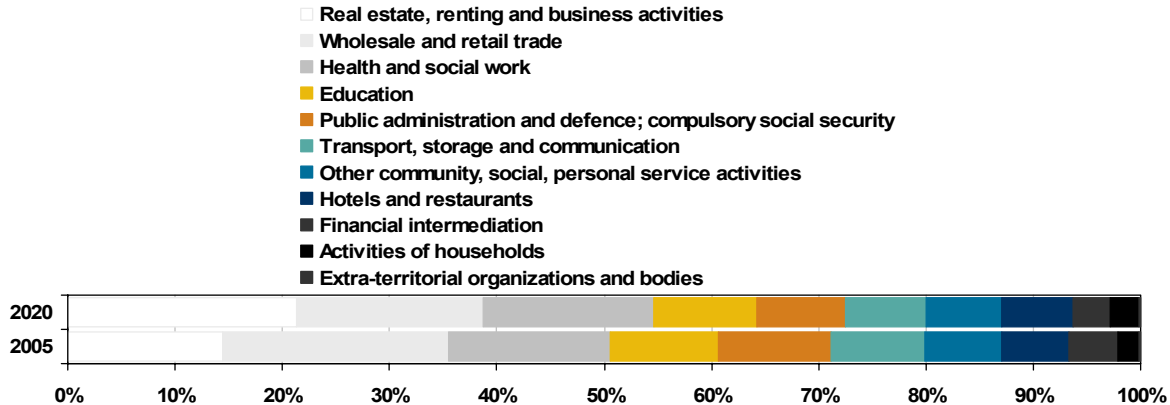
Data source: Eurostat (2006c), own calculations

Figure 25

The biggest employer in the service sector in 1995-2005 was the wholesale and retail sector, followed by health care and social work, and real estate, renting and business activities. The latter sector is the fastest growing sector in terms of employment (cumulative employment growth in 1995–2005 accounted for 60%). If employment in the service subsectors continues to grow at the same pace as in the last decade, by 2020 real estate, renting and business activities will become the biggest employer in the service sector (and in the economy in general), overtaking trade, and could account for over 20% of total employment in services (Figure 26).

The biggest employer in 2005 – wholesale and retail trade – is predicted to grow at a slower pace and by 2020 account for 17% of total service employment. The share of jobs in the health care and social work sector will continue to grow (in line with the increasing aging of populations and increasing demand for elderly care). By 2020 this sector will account, on present trends, for 16% of total employment in services.

Employment by service subsectors (% total services employment, 2005 and 2020)

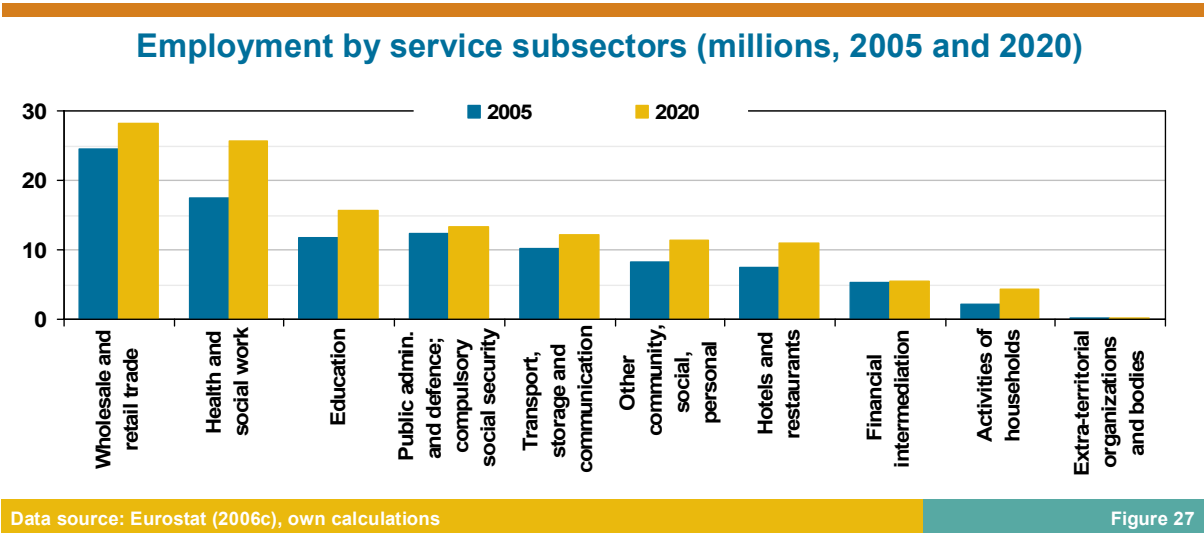


Data source: Eurostat (2006c), own calculations

Figure 26

In financial intermediation, employment has declined in a number of countries and the cumulative growth in employment at the EU25 level was the slowest in 1995–2005. As a result, if employment in this sector continues to grow at the same pace, its share in total service employment could decrease from 4.5% in 2005 to 3.4% in 2020.

Figure 27 shows the predicted number of people employed in service subsectors in the EU15 countries. On unchanged trends, the number of jobs in real estate, renting and business activities could increase by nearly 18 million from 2005 to 2020 in EU15 countries, reaching 34.6 million. Health care and social work could employ over 8 million people more in 2020 than in 2005. Wholesale and retail trade could see its number of jobs increase by 3.7 million to 37 million in 2020. Obviously these projections in terms of absolute numbers should be treated even more cautiously than those relating to employment shares, as they are susceptible to changes in the rate of economic growth, migration, and so on. They are included here as a very rough pointer to the potential scope for recruitment of the various sectoral trade unions.



As far as the quality of employment is concerned, an important trend that is expected to continue in the near future is the improvement of the skill levels of those employed in the service sector, which might be expected to lead to a further improvement of wages and working conditions. From this perspective, the rapid growth of real estate, renting and business activities is especially positive: this sector, together with financial intermediation, performs best in terms of pay and working hours. But at the same time, the sectors in which wages and working conditions are less favourable – retail and repair, and hotels and restaurants – are also expected to increase their size and to continue to make up a very sizeable proportion of the EU labour market. Certainly, the problems of low-skilled labour, low pay and long working hours will not be resolved merely by structural shifts in the near future, but will require conscious and sustained efforts by governments, trade unions and employers.

In terms of contractual arrangements, there is a clear overall trend towards more atypical contracts. In particular the rapid increase of fixed-term contracts (by 36% between 2000 and 2006) is a worrying sign, although the increasing share of part-time employment is also raising concerns, considering that a portion of part-time employment has a precarious nature.

This constitutes an important area for trade union action. Without such action, atypical employment will soon be the norm with all the relevant negative implications for quality of employment and security of employment.

Taking the extrapolations presented earlier in the section as a baseline, we now revisit the drivers identified in Part 2, assessing whether their impact is likely to strengthen or wane in the coming 15 years. Of course, this is a very qualitative and speculative assessment, but it can be used to make some adjustment to the baseline scenario in terms of likely developments at the sub-sectoral level. In this way we can also move away from the statistical definitions of service sectors and orientate our assessment more closely towards UNI-Europa sectors. The assessment is summarised in the synoptic Table 12.

Some of the main implications of the table are as follows. Considering the set of first drivers (structural demand shifts), one might expect all of them to continue at around recent levels of intensity, except for the demographic effect, which will certainly strengthen in the coming years. This may also be true for the outsourcing of service activities from manufacturing, although it can be argued that, as manufacturing shrinks further, the scope for outsourcing has already peaked. All these drivers are unspectacular, in the sense that they bring about changes in a slow but inexorable way and all have the effect of promoting the further expansion of services employment. It is difficult to assess whether these drivers will cause subsectoral trends to deviate from our baseline, as some will give a boost to personal, others to more business-oriented services.

The three drivers related to cross-border trade and investment, both within the EU25 and globally, are all expected to intensify further in the coming period compared with recent trends. On the other hand their impact on service-sector employment, at least at the aggregate level, may not be so pronounced. In any case that impact is multidimensional and can have positive and negative effects on both the quantity and quality of employment in different cases and circumstances. Potentially all service sectors are affected, but the effects are likely to be strongest in more business-oriented and large-firm sectors, but also commerce.

The impact of technological progress cannot, of course, be adequately discussed in such a simplistic framework. It certainly seems unlikely that the pressures for change coming from technological change will abate, and there is no doubt that this driver has a crucial impact. Beyond that it is almost impossible to generalise. Certainly ICTs have the capacity to make more services tradable and so the effects are tied in with those just discussed. At the same time, the ability to exchange information and thus provide certain services at a distance will have important qualitative effects on the way service workers operate, some of which might be liberating in nature. As is the case also in industry, technology has the capacity to rationalise production and thus reduce labour input, but the resulting higher productivity can both raise the wages of the remaining workers and also reduce prices, leading to higher demand and thus constant, or even rising employment.

Migration and mobility within the EU can be expected to increase the potential compared to the baseline, particularly in lower-skill services (in high-wage countries migrant workers will bid down the wages and thus ultimately the prices of these services, expanding demand and employment). The qualitative employment impact, however, is likely to be negative (downward pressure on wages and working conditions). The progressive removal of transitional arrangements and the accession of Romania and Bulgaria in 2007 mean that the impacts generated by this driver are certain to be stronger than in the past.

Drivers of change in the service sector

Driver of change	Increase or decrease in intensity	Expected importance of overall impact	UNI sectors likely to be particularly affected	Potential impacts
Structural demand shifts				
Income effects	+/-	Gradual but significant	Hair and beauty, tourism, finance	Increasing service sector employment
Rising female participation	+/-	Gradual but significant	Hair and beauty, commerce, social insurance?	Increasing service sector employment
Demography	+	Gradual but increasingly significant	Social insurance, property services, finance	Increasing employment, changing demand patterns
Differential productivity growth	+/-	Gradual but significant	More in consumer services	Increasing service sector employment
Outsourcing of business services	+	Increasingly significant	IBITS, property services, finance	Increasing service sector employment
Cross-border services trade and investment				
Trade liberalisation – internally driven (Services directive)	+	Unclear, potentially significant	Potentially all	Complex effects, e.g. exacerbation of competition, especially at low-skill end, negative social redistributive effects, but inter-regional convergence
Trade liberalisation – externally driven (GATS)	+	Unclear, but probably insignificant	Potentially all	
FDI/international offshoring/outsourcing	+	Increasingly significant	Commerce, finance, IBITS, property (potentially all)	
Technological progress	+	Increasingly significant	Potentially all	Renders services tradable (effects see above), positive and negative effects on work environment; rationalisation leads to job losses but may also reduce prices and increase demand and employment
Migration and mobility	+	Increasingly significant	Property services, commerce, social insurance	Exacerbation of competition, especially at low-skill end, negative social redistributive effects, but inter-regional convergence
Financialisation	+	Acute for specific firms, more generally of rising significance	Potentially all, especially medium-sized firms	Downward pressure on wages and conditions, potential job losses
Privatisation - marketisation	-	Significant in some UNI-Europa sectors	Telecom, postal, public broadcasting	Downward pressure on conditions, potential job losses but possibly opportunities for new forms of employment

Table 12

Financialisation – the increasing role of so-called ‘alternative’ forms of investment, of which hedge and private equity funds are the best known – is a relatively new phenomenon and thus difficult to assess. At the level of individual firms, the impact of such funds can be quite devastating, shattering established industrial relations practices overnight and leaving previously healthy companies reeling under massive debts. The demand for high returns in the short term can lead to job losses, increased outsourcing and downward pressure on wages and conditions. Some firms – notably a number of privatised telecom firms – have simply been looted. Moreover, it seems likely that there are substantial knock-on effects in terms of changed behaviour on the part of incumbent managements seeking to avoid takeover, so that ‘financialisation’ has indirect effects (investor short-termism, pressure for higher returns) far beyond the (limited) number of actual takeover cases. What is currently particularly difficult to assess is whether ‘financialisation’ marks a secular, longer-run trend, or whether the practices of hedge funds and private equity companies will swiftly bid down prospective returns so that the phenomenon disappears as quietly and swiftly as it arrived. (The leveraged buy-out mania of the 1980s – damaging as it was – proved short-lived in historical perspective.) The activities of many private equity firms are predicated on low interest rates and rising stock markets. It is impossible to judge to what extent such activities will be profitable if debt is more expensive and the risks of selling off restructured companies are higher.

Lastly, the processes of marketisation and privatisation of public services may have peaked. However, in certain sectors the potential for changes in aggregate employment and working conditions is very great (for example, post and telecommunications). Certainly in the past privatisation has tended to lead to job losses and, for some groups of workers at least, downward pressure on wages and conditions.

Following the review, in qualitative terms, of the likely drivers of change in service-sector employment, and how they are expected to develop in the medium term, we can reassess our ‘baseline’ projection for service employment trends which, as described above, is based on a simple extrapolation of recent trends. Overall it seems unlikely that, on balance, the factors pushing for a continued increase in the relative importance of service employment in EU countries will weaken. This suggests that the estimates given above may be on the conservative side: an even greater increase in the employment share of the service sector is very possible. At the same time, the factors serving to increase competition between workers, especially in lower-skill services, seem likely to increase further. It is impossible to predict how the dynamic of growing overall demand (which by itself might be expected to raise the quality of employment) and increased competitive pressure (which tends to reduce standards) will play out.

It is not easy, either, to deduce the extent to which individual sectors represented by UNI-affiliated unions might deviate from this forecast overall pattern for the service sector as a whole. Our baseline assessment took into account the different dynamic of demand and employment growth in the various subsectors. More detailed analyses at the subsectoral level (case studies) would be needed to ascertain whether future trends will differ significantly from those of the recent past at the subsectoral level.

A final word of caution is called for here, lest the above analysis, which focuses on structural and economic features and developments, be taken to imply that there is no scope for influencing such processes. On the contrary! Our aim is to point to a number of underlying trends that trade unions and other actors will need to take into account in planning their strategies and setting their priorities. Changes in service-sector employment are not autonomous processes. In addition to governments, trade unions (and also employers' organisations) can play an important role in shaping developments within the sector. Some challenges for trade unions have been discussed in Part 1. We return to this issue in the concluding section.

Conclusions

This concluding section gives a short summary of the report's main findings and draws attention to the opportunities and challenges faced by trade unions arising from the growth and diversification of service sector employment in the EU.

The service sector is the biggest employer in the EU and is also the main source of new jobs in European economies, although with considerable differences between EU Member States and between the different service branches. The total employment share in services ranges from 55% (Poland) to 80% (Luxembourg). Retail and wholesale trade is the biggest sector in terms of employment, but the rise of service employment is to a large extent being driven by growth in real estate, renting and business services.

Employment in the service sector, and in particular in private services, will continue to grow as a share of total employment. The analysis indicates that all the key drivers of structural change in favour of services (including the aging of the population, increased participation of women in the labour market, technological developments, outsourcing and the internationalisation of services) will remain in place in the coming years, and some may intensify. Extrapolations for the EU15, conducted as part of the study, suggest that by 2020 employment in services could reach 80% of the total; and real estate and business activities could overtake trade as the biggest employer.

Some of the main features of services employment identified in the report are the large share of small and medium enterprises; increasing employment by foreign affiliates; diversity of the workforce in services, often with a high turnover. Private sector services, which are the main area of employment growth, employ relatively large numbers of women, migrant workers and young people. The service sector is, however, very heterogeneous with both characteristics and trends differing between subsectors.

Against the background of growth in service employment and thus also potential union membership, service sector workers and unions are confronted by a number of challenges and opportunities, in particular concerning (i) quality of employment and (ii) recruitment, interest representation and trade union organisation and structure.

As regards quality of employment, in overall terms services tend to be characterised by a significant low-pay segment, a rapid increase in the percentage of workers on fixed-term and other precarious forms of contract, long and unsocial working hours, ever-increasing working time flexibility and a significant proportion of employees with low skills. But major differences prevail within the service sector. Of the sectors included in the analysis, hotels and restaurants emerges as having the worst working conditions, and financial intermediation the best. Also, it is possible to identify a number of smaller subsectors, such as the cleaning industry or private security, which display an accumulation of problems related to quality of

employment. Regardless of sector, young people often experience an accumulation of features stemming from the poor quality of their jobs, while women tend to have worse working conditions than men. Hence, there is a need for general action to improve quality of employment in the service sector as a whole, but also a need for more specific action in particularly vulnerable subsectors or for groups that require special attention.

The second challenge relates to recruitment, interest representation and trade union organisation and structure. In general, trade union density in private sector services is markedly lower than in public services and in manufacturing, albeit with large cross-country and cross-sectoral differences. Lower membership density rates in the private sector services mean that Europe's trade union movements are at their weakest in those parts of the labour market where growth is strongest. Although some unions organising private sector service workers are expanding membership in absolute terms, this is not enough to increase union density, given the rising employment in services, or to offset decline in overall union density resulting from the loss of unionised manufacturing jobs.

A major explanation for this is that the service sector employs high shares of workers that trade unions have traditionally struggled to organise and represent (women, young people, workers in small and medium-sized enterprises, workers on fixed-term and part-time contracts, and so on). This diversity also raises difficulties in terms of collective bargaining strategies and workers' solidarity.

Many unions have attempted to respond to this situation by stepping up their recruitment and organising efforts. Where successes have been recorded they tend to involve the provision of improved support and services to members at their place of work and a reform of internal union structures to prioritise recruitment. But in many cases there is a lack of funds available for recruitment and organising activities. With regard to union organisation and structure there has been a trend towards union concentration and mergers in the service sector. This has allowed unions to pool their resources within the services sector. However, there is no consistent evidence to suggest that post-merger unions have been more successful in their recruitment and organising initiatives.

Therefore, further efforts and resources are needed to adjust trade union structures and strategies to be able better to represent the growing diversity of interests amongst workers and to incorporate the concerns of specific groups of private service sector workers, notably female employees, within the unions' political and collective bargaining agenda. To accommodate increasing membership diversity trade unions will also have to reform internal union governance structures to allow members from the 'new' areas of private sector services more opportunities to participate in union affairs and to influence policy formulation.

Trade union reform poses a real challenge for trade unions, especially given their limited resources and also the fact that the service sector is undergoing a continuous process of change. However, the sheer growth of services employment also represents a tremendous opportunity. Many service sector workers are in urgent need of the support and protection that union membership can offer as they seek to improve their working lives, and they constitute a large pool of potential members. The challenge for trade unions is to seize this opportunity, increase membership and strengthen trade union influence in this fast growing part of the labour market.

Appendix

NACE - Classification of Economic Activities in the European Community (Rev. 1.1, 2002)

The table includes main aggregate sectors and the specific subsectors used in the Figures 10-17

TOTAL	ALL NACE BRANCHES (A-Q)
A_B	AGRICULTURE, HUNTING, FORESTRY AND FISHING
C_TO_F	INDUSTRY
G_TO_Q	TOTAL SERVICES
G_TO_K	PRIVATE SECTOR SERVICES (EXCLUDING PUBLIC ADMINISTRATION):
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
H	Hotels and restaurants
I	Transport, storage and communication:
I 63	Supporting and auxiliary transport activities; activities of travel agencies
I 641	Post and courier activities
I 642	Telecommunications
J	Financial intermediation
K	Real estate, renting and business activities:
K 72	Computer related services
K 73	Research and development
K 74	Other business services
K 746	Investigation and security activities
K 747	Industrial cleaning
L	Public administration and defence; compulsory social security
M_TO_Q	Other services:
M	Education
N	Health and social work
O	Other community, social, personal service activities
P	Activities of households
Q	Extra-territorial organizations and bodies

Bibliography

- Arrowsmith, J. (2006) *Temporary agency work in an enlarged European Union*. Coventry: University of Warwick.
- Baumol, W.J. (2001) The paradox of services: exploding costs, persistent demand, in T. Ten Raa and R. Schettkat (eds), *The growth of service industries: the paradox of exploding costs and persistent demand*. Cheltenham: Edward Elgar.
- Boeri, T., A. Brugiavini and L. Calmfors (2001) *The role of unions in the 21st century*. Oxford: Oxford University Press.
- Campbell, D. (2006) Poles are bringing solidarity back into fashion in Britain, *The Guardian* (6 December).
- Cancedda, A. (2001) *Employment in household services*, Dublin: European Foundation for the Improvement of Living and Working Conditions,
<http://eurofound.europa.eu/publications/htmlfiles/ef0113.htm>
- Clark, C. (1951) *The conditions of economic progress*. London: Macmillan.
- Copenhagen Economics (2005) *Economic assessment of the barriers to the internal market for services*, Copenhagen.
- Crouch, C. (1993) *Industrial relations and European state traditions*. Oxford: Clarendon.
- Daniels, P. (2003) 'Old' economy, 'new' economy, and services. University of Birmingham.
- Dølvik, E., and J. Waddington (2004) Organizing marketed services: are trade unions up to the job?, *Economic and Industrial Democracy*, 25 (1) 9–40.
- Education International (2001) *The ILO, the WTO and the globalisation of the world economy*, Resolution,
http://www.ei-ie.org/worldcongress/docs/WC03Res_ILOGlobalisation_e.pdf
- EIRO (2001) *Industrial relations in the information and communications technology sector*,
<http://www.eiro.eurofound.eu.int/>
- EIRO (2002) 'Economically dependent workers, employment law and industrial relations', EIRObserver 4, <http://eurofound.europa.eu/publications/htmlfiles/ef0279.htm>
- EIRO (2004) Industrial relations in the retail sector;
<http://eurofound.europa.eu/eiro/2004/07/study/tn0407101s.html>
- EIRO (2006a) Employment relations in SMEs,
<http://eurofound.europa.eu/eiro/2006/02/study/tn0602101s.html>
- EIRO (2006b) Industrial relations in the print media sector;
<http://eurofound.europa.eu/eiro/2006/08/study/tn0608102s.html>
- EMCC (2005a) *Knowledge-intensive business services: Trends and scenarios*. Dublin: European Foundation.

- EMCC (2005b) *Knowledge-intensive business services – what future?*
Dublin: European Foundation
- European Commission (2004) *Employment in Europe Report 2004*. Luxembourg: Office for Official Publications of the European Communities.
- European Commission (2005) *Employment in Europe Report 2005*. Luxembourg: Office for Official Publications of the European Communities.
- European Commission (2006) AMECO database, downloads from http://ec.europa.eu/economy_finance/indicators/annual_macro_economic_database/ameco_en.htm
- European Commission (2006a) *Communication Global Europe – competing in the world*. Brussels.
- European Commission (2006b) *European Union foreign direct investment yearbook 2006 – Data 1998–2004*, Pocketbook. Luxembourg: Office for Official Publications of the European Communities.
- European Commission (2006c) *Industrial relations in Europe 2006*. Luxembourg: Office for Official Publications of the European Communities.
- European Commission (2006d) *Modernising labour law to meet the challenges of the 21st century*, Green Paper. Brussels: Commission of the European Communities.
- European Federation of Cleaning Industries (2004) *The cleaning industry in Europe, and EFCI survey*.
- Eurostat (2005) *EU international trade in services*, Luxembourg: Office for Official Publications of the European Communities,
http://www.eds-destatis.de/downloads/publ/en6_international_trade.pdf
- Eurostat (2006a) *Economy and finance*, downloads from http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0,1136173,0_45570701&_dad=portal&_schema=PORTAL
- Eurostat (2006b) *Industry, trade and services*, downloads from http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0,1136195,0_45572097&_dad=portal&_schema=PORTAL
- Eurostat (2006c) *Labour market*, downloads from http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0,1136184,0_45572595&_dad=portal&_schema=PORTAL
- Galgóczi, B., M. Keune and A. Watt (2005) *Relocation. Challenges for European trade unions*. Brussels: ETUI-REHS.
- Gennard, J. (2005a) *Demographic changes in the workforce of the European graphical industry 1994–2004*. Paper presented to the Annual General Meeting of UNI-Europa Graphical.
- Gennard, J. (2005b) *Mergers and acquisitions in the graphical, packaging and publishing industries in the European Union*. Glasgow: University of Strathclyde.
- Gennard, J. (2005c) *Transfer of work and investment in the European graphical industry*. Paper presented to the 2005 Annual General Meeting of UNI-EUROPA Graphical.
- Gilpin, N. et al. (2006) *The impact of free movement of workers from Central and Eastern Europe on the UK labour market*, Working Paper No. 29, Department for Work and Pensions.

- Greenhalgh, C., and M. Gregory (2001) Structural change and the emergence of the new service economy. Paper prepared for the Leverhulme Programme Final Conference ‘Labour Market Consequences’.
- ICFTU (2003) Global trade unions state position for WTO Cancun meeting (7 April), www.icftu.org
- ILO (2003) *Employment effects of mergers and acquisitions in commerce*. Geneva: ILO.
- Kochan, T., R. Lansbury and J-P. MacDuffie (1997) *After lean production*. Ithaca: ILR Press.
- Lopez-Garcia, P. (2003) *Labour market performance and start-up costs*. OECD evidence, CESIFO Working Paper No. 849
- McKinsey Global Institute (2005) *The emerging global labor market*, <http://www.mckinsey.com/mgi/publications/emerginggloballabormarket/index.asp>
- OECD (2003) Input-Output Database. Paris: OECD.
- OECD (2005a) OECD Science, Technology and Industry Scoreboard 2005. Paris: OECD.
- OECD (2005b) The service economy in OECD countries, STI working paper 2005/3. Paris: OECD.
- OECD (2006a) *OECD in Figures 2006–2007*. Paris: OECD
- OECD (2006b) STAN indicators database. Paris: OECD
http://www.oecd.org/document/15/0,2340,en_2649_201185_1895503_1_1_1_1,00.html
- Pernicka, S. (2005) The evolution of union politics for atypical employees: a comparison between German and Austrian trade unions in the private services sector, *Economic and Industrial Democracy*, 26 (2): 205–28.
- Peters, M., and P. van der Valk (1999) *The hairdressers' trade in the EU, Norway and Switzerland*, Zoetermeer: EIM Small Business Research and Consultancy.
- Russo, G., and R. Schettkat (2001) Structural economic dynamics: myth or reality? Structural change and the final product concept, in T. Ten Raa and R. Schettkat (eds), *The growth of service industries: the paradox of exploding costs and persistent demand*. Cheltenham: Edward Elgar.
- UNCTAD (2006) *World investment report*. Geneva: UNCTAD.
- UNI (2002) UNI briefing paper on the WTO’s General Agreement on Trade in Services (GATS), [http://www.union-network.org/uniflashes.nsf/0/53bd7420d9ac0fe0c1256a1600464369/\\$FILE/UNI%20briefing%20paper%20April%202002.pdf](http://www.union-network.org/uniflashes.nsf/0/53bd7420d9ac0fe0c1256a1600464369/$FILE/UNI%20briefing%20paper%20April%202002.pdf)
- UNI-Europa (2000) The impact of mergers and acquisitions in the banking and insurance sector, Background Document, Conference on Mergers and Takeovers (October).
- WTO (1998) Economic Effects of Services Liberalisation: Overview of Empirical Studies, Background Note by the Secretariat, S/C/W/26/Add.1, Geneva: World Trade Organisation.
- WTO (2005) *International trade statistics 2005*. Geneva: WTO.
- WTO (2006) *International trade statistics 2006*. Geneva: WTO,
http://www.wto.org/english/res_e/statis_e/its2006_e/its06_toc_e.htm