

BARSERVICE



Smart bargaining in the services sector: overview, challenges, opportunities

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Introduction

To support capacity building for collective bargaining in the services sector, BARSERVICE seeks to understand bargaining practices, challenges and opportunities for smart bargaining in services in 9 countries (6 EU Member States and 3 Candidate Countries, predominantly in Southern and Eastern Europe). The BARSERVICE project collects and analyses data in the selected case countries, including: Croatia, Czechia, France, Italy, North Macedonia, Romania, Slovakia, Serbia, Türkiye.

Services constitute an important pillar of the European economy, yet little is known on bargaining therein. The changing economic and labour market context after Covid-19 has increased the urgency to extend knowledge and stimulate mutual learning of research and social dialogue, reflecting the priorities of the EC Directive on Adequate Minimum Wages. Therefore, BARSERVICE maps bargaining practices, structure and power relations between unions and employers, the effective coverage of collective agreements, content of collective agreements and strategies to uncover and reduce undeclared work in services.

BARSERVICE focuses on four subsectors:

- Commerce (including wholesale and retail, NACE 45, 46 and 47),
- Publishing (NACE 58),
- Finance (NACE 64),
- Social Care (NACE 87 and 97).

The project identifies the main challenges the sector faces in its trajectory for smart bargaining due to the: i) structural transformation of European economies and the importance of the service sector; ii) deterioration of working conditions in services in terms of low wages, unstable jobs and gender segregation; iii) lack of adequate space and margins of intervention for collective bargaining. A complementary aspect of the project is uncovering undeclared work, and strategies to mitigate it via decent working conditions and collective bargaining.

The findings directly inform capacity building initiatives of social partners, mutual exchange, co-creation and interactive learning for social partners in those member states and candidate countries where bargaining in services and those where bargaining in services needs to be enhanced and strengthened.

This report outlines the conceptual and analytical framework applied in the project for data collection and data analysis. The key concept in the project is ‘smart bargaining’ – a kind of bargaining that effectively facilitates two aspects in bargaining:

- Improving the quality and content of collective bargaining

- Raising bargaining coverage to meet the threshold recommended by the Directive on Adequate Minimum Wages.

Upon start of the project, the consortium agreed to modify the conceptual framework to become more inductive. Rather than pre-defining the concept of 'smart bargaining' at the early phases of the project, the data collection via interviews should let the respondents directly identify what smart bargaining means in their particular country and subsector of the services sector. Therefore, a detailed conceptual account on smart bargaining will be an output of the BARSERVICE project, rather than its input. This concept is rather novel in the industrial relations literature, and by this modified approach the partnership seeks to make a conceptual and theoretical contribution, which directly relates to practical policy goals. Developing the concept of smart bargaining based on research findings in the BARSERVICE project is also a promising first step towards academic publications based on the conducted research, and also a practical input for strengthening bargaining procedures and equipping social partners with the right (smart) strategies in their specific empirical contexts.

1. Aims and context

the goal of BARSERVICE is to identify and characterise the main challenges the service sector faces because of: i) the structural transformation of European countries and increasing shift from manufacturing towards the service sector; ii) the evolution of the working conditions particularly pronounced in tertiary jobs, both in terms of low wages, unstable jobs and gender segregation; iii) the lack of adequate space and margin of intervention for collective bargaining and industrial relations. An additional dimension of the project is uncovering preventative and deterrence practices for uncovering and mitigating undeclared work in some services, particularly in the care sector and among female workers. The spread of decent working conditions and bargaining in this sector not only raises bargaining coverages, but improves living and working standards in line with priorities of the European Social Charter.

The changing economic and labour market context in services after Covid-19 has increased the urgency for social partners to cooperate within and across borders, and between the EU-level and national levels. Social partners can develop informed capacity building initiatives using evidence-based research outcomes. Mutual learning and interaction between research, social dialogue and collective bargaining actors facilitates joint approaches and solutions to secure improvements in bargaining and reaching higher bargaining coverage. Therefore, the project places high priority on mutual exchange, co-creation and interactive learning tools among social partners especially in those Member States and Candidate countries where bargaining in services needs to be enhanced and strengthened.

To meet this aim, BARSERVICE will provide expertise for capacity building initiatives, mainly on the side of trade unions but also with support of employers' associations and enhancement of cooperation between research partners and social partners. With UNI Europa, the EU-level trade union federation for the service sector, joining as a partner in BARSERVICE, the mutual learning and exchanges will also lead to workshops and dissemination among UNI Europa's national affiliates and other relevant stakeholders addressing capacity building opportunities and challenges together.

The progressive shift towards the service sector of advanced economies is an on-going phenomenon, started in the 1980s with the progressive decline of manufacturing jobs and the increasing ageing of national populations. According to Eurostat, in 2021 73 % of total European employment was employed in the service sector (65% in 2000) meaning that three out of four jobs nowadays are "service jobs". Clearly, important differences emerge both across EU countries and within the service sector in each country. Concerning national trends, we observe the presence of strong heterogeneities in the 9 countries under analysis. In fact, while France and Italy are respectively above and close to the EU average, Eastern countries all exhibit a lower rate, that goes from 66% in the case of Slovakia, 64% for Croatia and 61,2% for Czechia while the lowest rate is recorded in Romania with only 48,7% of working population being employed in the service sector, similar to the rate of 47% observed in Turkey (OECD data). This complex structural transformation of national economies, despite being observed with different paces and intensity across countries, opens up a series of urgent questions which are the object of vivid academic and political debates.

Concerns arise, first, with respect to national economies' capability to maintain or strengthen their degree of competitiveness, which is strongly related to the presence of high value-added manufacturing activities and the investment in R&D, most heavily supported by manufacturing industries. Moreover, several analyses have also pinpointed at emerging trends of job polarisation and wage inequality, identifying the role of technological change (Autor and Dorn, 2013; Bárány and Siegel, 2018) or, from a different perspective, the relevance of institutional settings and sectoral productive structure (Macias and Hurley, 2017). What is particularly interesting for this project, despite being less frequently at the stage of public debate, are the actual and potential implications on workers' rights and industrial relations of on-going structural changes. Indeed, important issues arise with respect not only to job polarisation, but also with respect to the quality of work (both in terms of wages and working conditions), the role of public institutions in providing essential services, the reduction of gender disparities at work, the diffusion of precarious and informal jobs, the impact of digitalisation in service and the role of trade unions.

The COVID-19 pandemic and the need to reduce the propagation of the virus as much as possible through a massive suspension or conversion into remote of productive activities, has pushed policy makers, employers, and workers to rethink the definition of "work" in a different way according to criteria of "essentiality" that were never discussed before at a similar extent. Among those "essential activities", as coined by national governments, appeared social care, commerce of basic goods such as food and medicines, financial and bank services related in particular to the provision of credits to firms and the transfer of income support schemes to workers, publishing and diffusion of information. Interestingly, while some of these activities could be performed remotely, in most

cases essential jobs were meant to be performed at the workplace (Cetrulo et al., 2022)., exposing workers to risk of contagious and increasing workload (Narocki and Franklin, 2022).

Already before the pandemic, both the financial and the commerce sector were recording important changes related to the more intense use of digital tools. Both the diffusion of e-commerce and the increasing provision of financial services through online platforms is indeed progressively changing the internal organisation of these sectors, with important implications on the chains of distributions (mostly in the case of commerce), jobs' structure and the relation between consumers and workers. Also, the publishing sector has been heavily impacted by digitization and it is nowadays witnessing important trends of changes that were strongly accelerated during the pandemic, with the massive supply of online services provided by traditional newspapers, publishing companies and so on. Next to digitization, the relative restructuring and reorganisation of production processes, and the need to create new business models are key issues for companies in the sector. This has led to the creation of complex production value chains. The reduction of the numbers of workers in this sector has run parallel to other major trends such as outsourcing, offshoring and the growth of atypical work. At the same time Google, Apple, Facebook or Amazon have disturbed established publishing sector ecosystems. This adds other elements of complexity to the way the publishing sector will face its future developments in the digital era. Publishing groups are labour-intensive and high-tech industries at the same time. Labour-intensive activities lead along the print copy cycle from authoring and newsrooms to the final reader, but also from a digital process standpoint. Far from full automation, digital still demands human interaction, albeit with different skills. Those changes, especially restructuring, have also had impacts on the systems of information, consultation, and collective bargaining at national and cross border levels and across companies, including the functioning of European Works Councils, that need to be researched.

Given both their relevance and their strong heterogeneities in terms of occupational structures, working conditions, gender composition and level of wages, in this project we will investigate in depth these four sectors since, from different perspectives, they are all experiencing important challenges that this project aims to disentangle to provide useful tools for social and policy actors.

Consistently with the above justification, BARSERVICE sets four main issues of interest:

- b) Interplay between the tertiarization of national productive structures and labour market deregulation (focusing in particular on working conditions, wages, quality of jobs, inequality and segregation in service jobs based on gender and migrant status)
- c) Informality (diffusion of undeclared, informal jobs or fictitious self-employment) and lack of workers participatory rights (scarce coverage of collective bargaining and low rate of unionisation) in services
- d) Impact of digitalization on the provision of services, organisation of the labour process, jobs and skills shortages
- e) Challenges to trade union and employer organising, collective bargaining and capacity building to reach a higher bargaining coverage

As recorded by national statistics, the **service sector exhibits one of the highest percentages of part-time workers and use of temporary agency workers in national economies**. Workers employed in social care occupations are among the ones that record the biggest risks of low-pay and bad working conditions, being in majority female and immigrant workers. Clerical workers and sales assistants working in the commerce sector are usually employed under unstable and precarious job contracts. On the other hand, the finance sector, which is less frequently the object of analyses focusing on collective bargaining, clearly records higher wages and better working conditions. However, several studies have shown how workers employed in banking and financial sectors are usually subject to high pressure, poor work-life balance, resulting in heavy mental health troubles related to stress and work/life unbalance (Giorgi et al. 2017). Indeed, after the COVID-19 pandemic, the risk of burnout in specific occupations seem to have strongly increased and need to be tackled with attention. (Edù-Valsania et al., 2022).

The publishing sector is also a particularly interesting case, being a sector that, while employing high skilled and creative workers, records a high **concentration of unstable and badly paid jobs**. What is more, this sector is nowadays undergoing major changes and shifts due to the contemporaneous declining demand of products like newspapers and the increasing role played by digital platforms and big players of distribution. Research in the publishing sector is therefore needed to have a clearer understanding of this sector that is undergoing deep changes and to help trade unions in the sector to anticipate the sectoral evolutions in terms of employment conditions and status. BARSERVICE would also allow the identification of employers' organisations to develop a relationship in order to set up or strengthen collective bargaining.

Analysing the role and contribution of industrial relations, including social dialogue at different levels

BARSERVICE brings novel empirical evidence on the state of the art in industrial relations in the service sector in mostly understudied Member States (Croatia, Slovakia, Czechia, Romania, Italy and France) and Candidate Countries (North Macedonia, Serbia and Turkey). In these countries, it acknowledges the 80% target of bargaining coverage, as set out in the EC Directive on Adequate Minimum Wages, while bargaining in many Member States and Candidate countries, including the ones studied in BARSERVICE, faces difficulties in meeting this challenge. Bargaining coverage is systematically lower in the services sector, while services are growing in importance as part of the economic restructuring as well as green and digital transitions in the EU.

Evidence generated in BARSERVICE will be deployed for understanding of the coping strategies of social partners in the services sector in the studied countries to respond to the above-identified economic and labour market challenges. In addition to the above general challenges, the services sector face their own challenges (e.g., high share of female labour force, skills shortages, a range of occupations from low-skilled and low-paid to high-skilled high-paid segments, weaker union presence and organising and lower bargaining coverage compared to industry).

Understanding the adaptation of social dialogue, in particular collective bargaining, to changes in employment and work-related challenges

In response to these challenges and the call's general objective to enhance comparative knowledge in industrial relations and develop cooperation between research and social partners in addressing the challenges of labour market transformations, digitalization and other structural trends, the project will provide an in depth view on bargaining practices, challenges and opportunities for smart bargaining in the service sector, and directly inform and support co-creative development of social partners' initiatives at capacity building and improvements in collective bargaining to reach a higher bargaining coverage.

BARSERVICE prioritizes mutual learning across the EU Member States' and Candidate Countries' social partners in the services sector, as well as between social partners at the EU- level and in the Member States and Candidate Countries.

2. A traditional approach to collective bargaining

The industrial relations literature does not offer many alternative elaborations of a complex conceptual approach to collective bargaining. A standard approach, developed in the 1970s but still relevant for modern research, is Clegg's descriptive account on the state of several dimensions to collective bargaining (Clegg 1976, Müller et al. 2019). This framework provides a comprehensive understanding of collective bargaining, emphasizing the institutional and procedural aspects of industrial relations. The key concepts of Clegg's (1976) framework for analyzing collective bargaining include:

- **Institutionalization of bargaining**

Bargaining institutionalization highlights the importance of the institutional context within which collective bargaining occurs. This includes the legal framework, the role of the state, and the institutional arrangements between employers and unions. Extension to bargaining coverage is also, in countries where it exists, mostly legally anchored and thus institutionalized.

- **Procedural and substantive rules**

Procedural rules of collective bargaining refer to the processes and methods such as negotiation procedures, dispute resolution mechanisms, and the roles of various actors in the bargaining process. In turn, substantive rules refer to the outcomes of collective bargaining, e.g. as stipulated in CBAs, including wages, working conditions, employment terms, and other issues subject to bargaining.

- **Bargaining structure**

The structure of collective bargaining can be centralized (at the national, sectoral level or multi-employer level, in some countries even at the regional level) or decentralized (company or workplace level). Clegg also discusses advantages and disadvantages of different bargaining structures.

- **Actors in collective bargaining**

The key actors in the bargaining process include employers and their organisations, employees represented by trade unions and/or at the workplace level by individual representatives or works councils, and the state in tripartite relationships. Each actor has specific roles, interests, and strategies that influence the bargaining outcomes.

- **Power relations**

Power relations between employers and unions are a critical dimension to the bargaining relationship. Power can be influenced by union density, employer organization density, economic conditions that affect the structural bargaining power of all involved actors, and legislative support for collective bargaining.

- **Bargaining outcomes**

The outcomes of collective bargaining in terms of the quality of collective agreement also influence the future of bargaining, actual working conditions, economic performance and social justice. It evaluates how agreements reached through collective bargaining affect the labor market and broader society.

The above framework allows comparing collective bargaining systems across different countries and sectors. It provides a foundation for analyzing trends and improvement potential in collective bargaining, e.g. in the light of technological advancements, and changes in labour market dynamics. It also helps in understanding new forms of work arrangements and how new types of workforce are embraced by industrial relations actors, and implications for collective bargaining and industrial relations.

In sum, the above framework offers a detailed and structured approach to understanding collective bargaining, focusing on institutional context, procedural and substantive rules, bargaining structures, actors, power dynamics, and outcomes. Nevertheless, in the BARSERVICE project, the research aims to update and revise this framework by questioning what is 'smart', what works across the studied subsectors to reach better bargaining (according to the content of CBAs) and to reach higher bargaining coverage (to meet the policy target set by the EC Directive). Therefore the BARSERVICE project will develop the concept of 'smart bargaining' in an inductive approach as explained in the next section.

3. An inductive approach to smart bargaining

The conceptual approach adopted in BARSERVICE utilises available scientific literature and earlier work on bargaining in the services sector, in particular the literature on power resources and actors' interactions. The project will identify key actors, processes, actors' interactions and outcomes of these interactions, in order to engage in comparative analysis of understanding challenges to bargaining in the service sector in the context of various institutional and structural labour market conditions in European economies.

The role of the actors (social partners) will be assessed using a **power resources approach** (Levesque and Murray 2010), which informs the research aim to identify the drivers and types of power resources that social partners have at their disposal in various legislative and labour market conditions:

- organizational/associational power resources, drawing on internal legitimacy - membership, internal capacity, hierarchy and leadership structures (Trif et al. 2023a)
- power resources, obtained from the economic structure and the relevance of the service sector, which increases the bargaining position of employers and workers in the sector (Trif et al. 2023b)
- Institutional power resources referring to statutory regulation of rights and obligations to social partners including bargaining rights, representativeness and recognition of their role in national social dialogue as well as in collective bargaining structures (Kahancová and Martišková, 2023)
- Societal power referring to relationships and resources drawn from cooperation with various kinds of stakeholders in the economy and society, including EU-level stakeholders (Bernaciak and Trif,2023)

The identification of relevant power resources of social partners in the service sector informs the analysis of their interactions. This work is conceptually supported by **actor-centred institutionalism** (Scharpf 1997), which acknowledges specificities of actors' interaction that are embedded in particular institutional conditions. This approach is flexible and sensitive to cross-national differences and therefore allows a tailored understanding of the state of the art, processes and bargaining outcomes across 9 countries studied, and in turn tailored activities for social partners' capacity building as well as mutual learning and cross-border cooperation.

The analysis of the content of collective agreements follows an innovative, digitised and exploratory approach aiming to understand what topics are regulated by CBAs in services across various country contexts, bargaining systems, and actors' power resources and differences in their interaction patterns.

The power resources conceptual approach also helps to frame findings in understanding why and where undeclared work in the service sector emerges, and what are the capacities of social

partners and other (enforcement) authorities to successfully address it, e.g. via collective bargaining and other measures.

The combination of the above concepts provides a holistic approach to analysing all aspects of the BARSERVICE project and provides evidenced-based input for co-creative workshops among social partners.

In light of the above considerations, **smart bargaining** should be operationalized, and some existing definitions, such as dimensions of smartness, can be utilized for a theoretical and analytical understanding. The goal is to collect information based on what interview respondents provide during the interviews by simply listening to them first and then defining the dimensions, using a real inductive approach. However, in the BARSERVICE project, some boundaries will be set for understanding smart bargaining; and the inductive approach will be implemented within these boundaries.

One of the main concerns related to the fully inductive approach is that when asked about smart bargaining, people might think about negotiation tricks or smartphones. Yet, the boundaries, or a pre-understanding of smart bargaining in the BARSERVICE project lies in **social partner strategies that increase bargaining coverage, develop bargaining, and enrich the content of collective bargaining agreements (CBAs)**. The research team aims to understand what unions and employers, or their associations, can do given their operating context and legal framework, exploring alternative approaches within the existing policy framework rather than aiming to change it. The research will seek to identify smart bargaining tactics to achieve higher bargaining coverage and to define the boundaries for actors' actions, as reported by interview respondents.

Another challenge to this inductive conceptualization of smart bargaining is the point of focusing on the union's capacity to execute what is considered 'smart,' considering context-related obstacles and power relations. This involves understanding why certain mechanisms, such as extension mechanisms, are not feasible due to specific obstacles.

The importance of the power dimension in the interaction with management regimes and the institutional context is crucial for understanding smart bargaining. Analytically, the power dimensions involve (a) management decisions and strategies, and (b) the institutional framework. Management and power dynamics interact, and it is crucial to analytically explain these findings to provide useful insights.

The practice of sector versus company bargaining depends on the sector's fragmentation, resulting in some country-specific company stories. Identifying gaps in collective bargaining, learning from specific companies, and understanding how bargaining functions as an institution in a country are vital. This includes examining sectoral/company bargaining articulation and union presence at the company level.

The scope of bargaining includes wages and other issues such as digitalization in finance. The political context includes the Minimum Wage Directive, and it is important to identify whether there is a CBA and what it regulates. A quantitative assessment is based on the mere presence of a CBA, the qualitative assessment evaluates the actual content and regulatory scope of the CBA.

Exploring opportunities to establish CBAs where none exist so far is crucial, and for this purpose, it is necessary for the unions to engage with employer organizations (EOs) that are not currently involved in bargaining. The BARSERVICE research can shed more light on potential union strategies in this regard.

In sum, the primary conceptual and analytical focus of the BARSERVICE research is on detailed, deep mapping of the bargaining situation. Alongside this, the concept of smart bargaining will be developed progressively based on emerging findings. This existing 'light' conceptual framework will be employed initially, with adjustments made as interesting results are encountered.

This approach will be applied to the mapping of practices in several sectors. Some notes are essential to define these sectors. Especially the retail sector should be defined broadly, including digital retail and digital workers (such as dark stores), especially if these create significant pressure on the established bargaining situation in some countries. Otherwise, a more traditional understanding of the sector may be adopted. Other sectors should consider the workforce composition, identifying who the workers are and whom do the unions represent, in addition to the identification of existing management regimes.

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