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# Establishment Characteristics and Work Practices: Business, Administration and Other Services Sector

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# Establishment Characteristics and Work Practices: Business, Administration and Other Services Sector

## **Abstract**

[Excerpt] This paper is one in a series of sector profiles giving an overview of structural characteristics, work organisation practices, human resource management, direct employee participation and social dialogue in the business, administration and other services sector (BAOS). It is based on the Third European Company Survey (ECS), which gathers data about companies and establishments with 10 or more employees in all economic sectors, except those in the NACE Rev.2.0 categories A (agriculture and fishing), T (activities of the household) and U (activities of extraterritorial organisations and bodies) across all 28 EU Member States as well as Iceland, the former Yugoslav Republic of Macedonia, Montenegro and Turkey. Additional information on the structural characteristics is derived from Eurostat data.

The business, administration and other services sector includes all activities related to information and communication (NACE J), professional, scientific and technical activities (NACE M), administrative and support service activities (NACE N), arts, entertainment and recreation (NACE R) and other service activities (NACE S). The third ECS contains responses from 5,945 establishments in this sector across the EU28. The sector profile compares aspects of establishment characteristics with the EU28 as a whole. The methodology used (latent class analysis) was developed in the overview report. Please note that percentages may not total 100 in some figures due to rounding.

## **Keywords**

Europe, structural characteristics, human resource management, employee participation, organizational practices, social dialogue, business sector

## **Comments**

### **Suggested Citation**

European Foundation for the Improvement of Living and Working Conditions. (2016). *Establishment characteristics and work practices: Business, administration and other services sector*. Luxembourg: Publications Office of the European Union.

# Establishment characteristics and work practices: Business, administration and other services sector



The 2013 European Company Survey data provides policymakers and practitioners with information and analysis on the spread of certain work organisation, human resource and participation practices in European establishments. As employment relations and workplace practices differ substantially between sectors, this profile shows the incidence of those practices within the sector as compared to other economic sectors.

## Introduction

This paper is one in a series of sector profiles giving an overview of structural characteristics, work organisation practices, human resource management, direct employee participation and social dialogue in the business, administration and other services sector (BAOS). It is based on the Third European Company Survey (ECS), which gathers data about companies and establishments with 10 or more employees in all economic sectors, except those in the NACE Rev.2.0 categories A (agriculture and fishing), T (activities of the household) and U (activities of extraterritorial organisations and bodies) across all 28 EU Member States as well as Iceland, the former Yugoslav Republic of Macedonia, Montenegro and Turkey. Additional information on the structural characteristics is derived from Eurostat data.

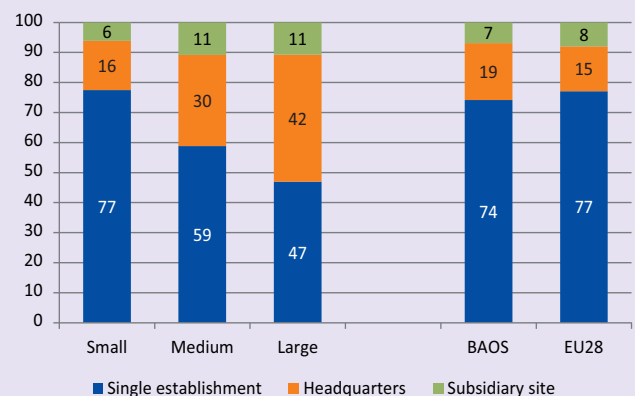
The business, administration and other services sector includes all activities related to information and communication (NACE J), professional, scientific and technical activities (NACE M), administrative and support service activities (NACE N), arts, entertainment and recreation (NACE R) and other service activities (NACE S). The third ECS contains responses from 5,945 establishments in this sector across the EU28. The sector profile compares aspects of establishment characteristics with the EU28 as a whole. The methodology used (latent class analysis) was developed in the overview report. Please note that percentages may not total 100 in some figures due to rounding.

## Structural characteristics

Almost three-quarters (74%) of establishments in the business, administration and other services sector are single establishments, which is below the EU28 average of 78%. Headquarters cover 19% (the EU28 average being 15%) and 7% are subsidiary sites (EU28 8%). There are differences in terms of size, with 77% of small establishments being single establishments as compared to 47% of the large units.

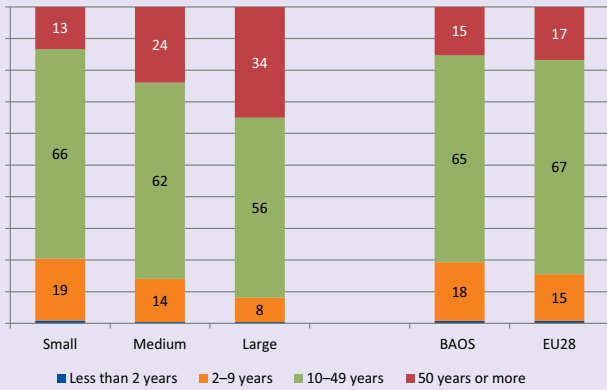
Units that have been in business for between 10 and 49 years make up 65% of the sector (67% in the EU28) – Figure 2. Smaller establishments are more likely to have been in operation for a shorter time than medium-sized and large units (18% in business for less than 10 years).

Figure 1: Establishment type by size (%)



Source: ECS 2013 – Management questionnaire

Figure 2: Years of operation by size: sector/EU average (%)

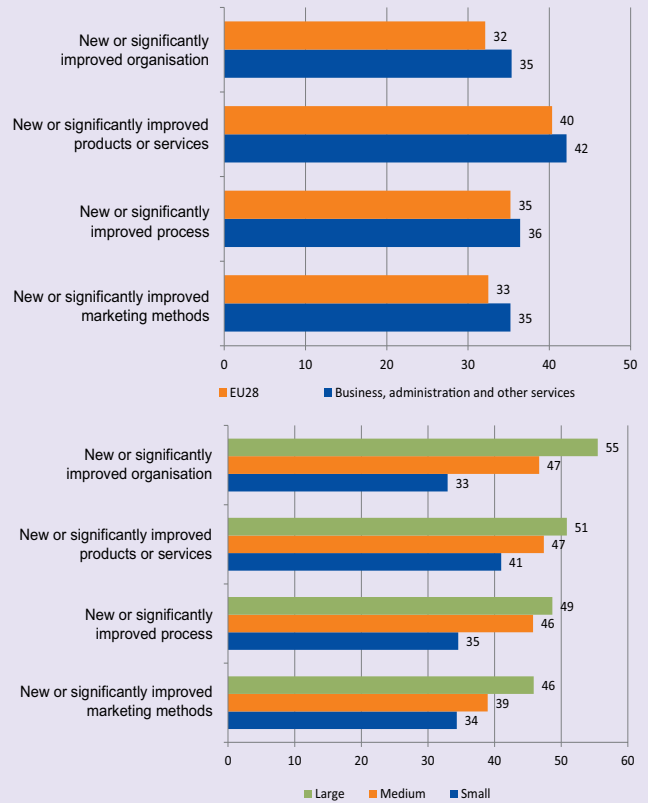


Source: ECS 2013 - Management questionnaire

Figure 3 shows that the business, administration and other services sector has more female workers than the overall economy. In 35% of business, administration and other services establishments, more than 80% of employees are women (EU28 26%) and only in 17% do women make up less than a fifth of the staff (EU28 29%). Furthermore, workers in the business, administration and other services sector are better educated than the average. More than 80% of employees in 35% of establishments in the sector have a university degree, compared to the EU average of 15%.

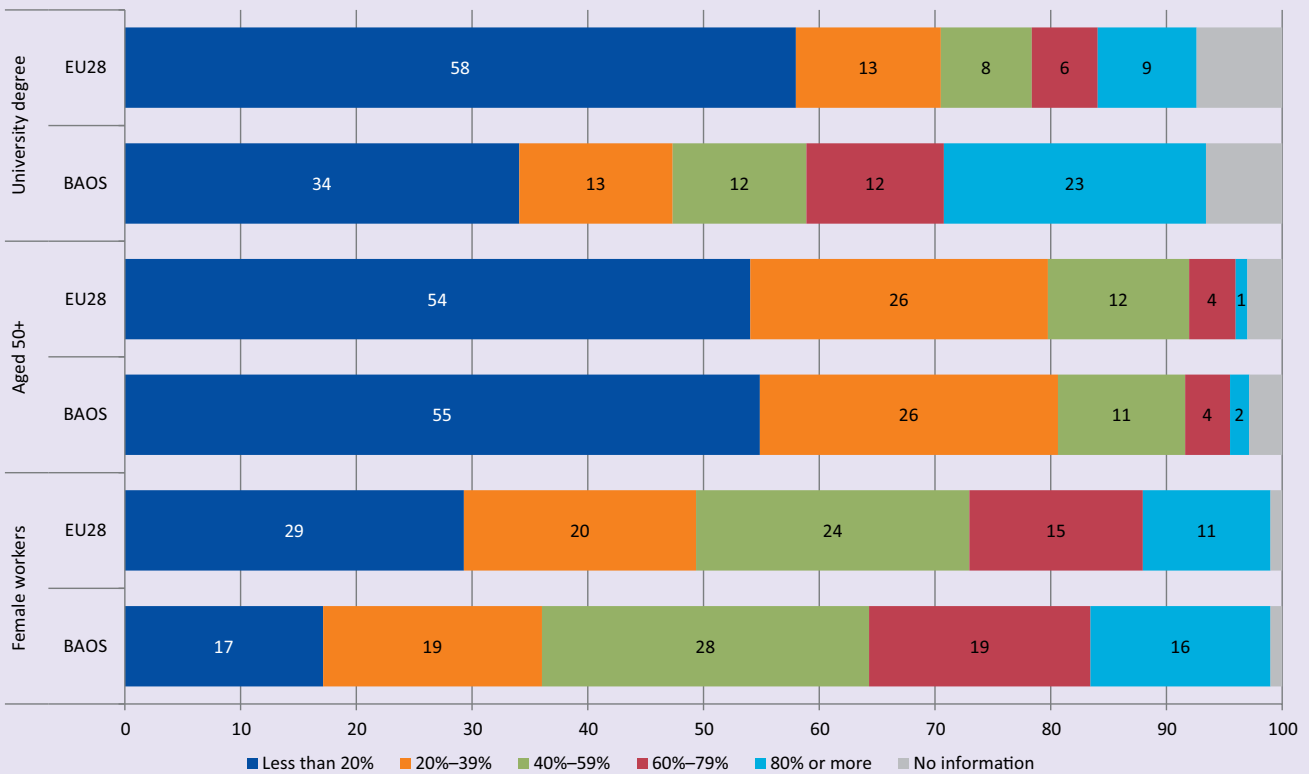
The business, administration and other services sector is slightly more innovative than the EU28 average (Figure 4). New products and services were reported in 42% of establishments (40% EU28) and improved organisational

Figure 4: New or improved products, processes and marketing methods and organisational change (%)



Source: ECS 2013 - Management questionnaire

Figure 3: Women, older workers and workers with a university degree: sector/EU average (%)



Source: ECS 2013 - Management questionnaire

settings in 35% of sector establishments (EU28 32%). Large and medium-sized firms tend to be more innovative than small establishments.

## Work organisation practices

### Collaboration and outsourcing

The design and development of new products or services is more likely to be carried out in the business, administration and other services sector (55%) than the EU average (46%) – see Table 1. Consequently, more units in this sector collaborate in these activities as compared to the EU28 average. Sales and marketing is, however, less prevalent in this sector than in the overall economy (67% compared to 73%). Nevertheless, those establishments that do carry out such activities in-house do so with collaboration more often than without (35% compared to 32%).

Among the three groups of establishments, the Extensive group (38%) is most likely to conduct marketing and sales in-house with collaboration (69%); to design or develop new products in collaboration (69%); or collaborate in the production of goods and services (47%).

More than one third of establishments (37%) in the business, administration and other services sector are classified as ‘moderate’ in terms of collaboration and outsourcing (38% EU28). The group is characterised by low involvement in design and development (81%) and the production of goods and services (76% are not involved in production of goods/services).

A quarter of business, administration and other services establishments are part of the ‘limited type’ cluster (25%

compared to the EU28 average of 27%). This type is characterised by very little collaboration, with marginal differences between the EU overall average and the business, administration and other services sector (in most fields).

### Internal organisation and information management

Business, administration and other services establishments are less likely to use information systems or work-in-process than the overall private sector (35% compared to 44%) – see Table 2. The keeping of records of good practices, on the other hand, is reported by 68% of establishments, as compared to 62% overall.

Work is more likely to be organised in single teams in the sector than the EU average (37% compared to 32%). Overall, in 78% of business, administration and other services establishments work is organised in teams, which is above the EU average of 73%.

In this sector, 53% of establishments are highly structured. More than three quarters of highly structured establishments (85%) monitor the quality of the production on a continuous or at least on an intermittent basis (13%), most keeping records of best practices (83%). Teamwork is more likely in this group than overall.

The other 47% of business, administration and other services establishments are moderately structured, dominated by little use of information systems for minimising supplies or work-in-process (81%). External ideas are not monitored in 45% of establishments and only 52% keep records of best practices.

**Table 1: Profiles of establishments – Collaboration and outsourcing (%)**

		Business, administration and other services				EU28			
		Moderate	Extensive	Limited	Overall	Moderate	Extensive	Limited	Overall
<b>Group size</b>		<b>37</b>	<b>38</b>	<b>25</b>	<b>100</b>	<b>37</b>	<b>36</b>	<b>27</b>	<b>100</b>
Design or development of new products or services	In-house with collaboration	11	69	10	33	6	57	9	25
	In-house, no collaboration	8	6	66	22	5	7	61	21
	No design/development	81	25	24	45	88	36	30	54
Outsourcing design or development of new products or services	Yes	3	42	11	20	2	43	10	19
	No	97	58	89	80	98	57	90	81
Production of goods or services	In-house with collaboration	11	65	8	31	11	64	8	29
	In-house, no collaboration	13	5	74	25	15	7	78	30
	No production	76	31	17	44	74	28	13	41
Outsourcing production of goods or services	Yes	3	50	17	24	5	54	19	26
	No	97	50	83	76	95	46	81	74
Sales or marketing of goods or services	In-house with collaboration	17	69	9	35	25	68	10	36
	In-house, no collaboration	23	12	75	32	29	14	78	37
	No sales/marketing	60	19	15	33	46	18	12	27
Outsourcing sales or marketing of goods or services	Yes	5	36	8	17	6	38	8	18
	No	95	64	92	83	54	62	92	82

Source: ECS 2013 – Management questionnaire

**Table 2: Profiles of establishments - Internal organisation and information management (%)**

		Business, administration and other services			EU28		
		Highly structured	Moderately structured	Overall	Highly structured	Moderately structured	Overall
<b>Group size</b>		<b>53</b>	<b>47</b>	<b>100</b>	<b>52</b>	<b>48</b>	<b>100</b>
Use information systems to minimise supplies or work-in-process	Yes	49	19	35	61	26	44
Monitoring quality of production	Yes, on a continuous basis	85	61	74	87	64	76
	Yes, on an intermittent basis	13	63	18	11	22	16
	No	2	87	8	2	14	8
Monitoring external ideas or developments	Yes, using staff assigned specifically to this task	40	15	28	43	14	29
	Yes, as part of the responsibilities of general staff	48	40	44	44	33	39
	No	11	45	27	13	52	32
Keeping records of good work practices	Yes	83	52	68	78	44	62
Teamwork	No team	11	36	22	14	41	27
	Most of them work in more than one team	45	37	41	47	36	41
	Most of them work in a single team	45	28	37	39	24	32
Departments based on function	Yes	86	49	69	90	54	72
	No	14	51	31	10	46	28
Departments dealing with different types of products or services	Yes	74	22	50	70	21	46
	No	26	78	50	30	79	54
Departments dealing with specific geographical areas	Yes	33	6	20	32	6	19
	No	67	94	80	68	94	81

Source: ECS 2013 – Management questionnaire

### Decision-making on daily tasks

In almost half (48%) of business, administration and other services establishments, employees and managers decide together about planning and execution of tasks; in a further 10% the employees decide on their own. Both these proportions are well above the EU average (39% and 6%).

However, 56% of establishments are classified as ‘top-down’ enterprises, characterised by centralised

decision-making. In 72% of these establishments, tasks are distributed by superiors and in 60%, managers or supervisors decide on the planning and execution of tasks.

In business, administration and other services establishments with a ‘joint approach’, decisions on tasks are usually taken jointly (59%) or by employees themselves (20%). Likewise, autonomous teamwork is much more prevalent within this group (49%) than overall (20%).

**Table 3: Profiles of establishments – Employee involvement (%)**

		Business, administration and other services			EU28		
		Joint	Top-down	Overall	Joint	Top-down	Overall
<b>Group size</b>		<b>44</b>	<b>56</b>	<b>100</b>	<b>38</b>	<b>62</b>	<b>100</b>
Task autonomy (who decides planning and execution of daily tasks)	The employee undertaking the tasks	20	1	10	16	1	6
	Managers or supervisors	21	60	43	30	69	54
	Both employees and managers or supervisors	59	38	48	54	30	39
Team autonomy (who decides by whom the tasks are to be performed)	Team members decide among themselves	49	5	25	44	5	20
	Tasks are distributed by a superior	29	72	53	30	68	53
	No team	21	23	22	26	28	27

Source: ECS 2013 – Management questionnaire

## HR Practices

### Recruitment, employment and career development

Patterns are basically the same in the overall EU economy and in the business, administration and other services sector (Table 4). In the sector, 21% of establishments reduced their staff between 2010 and 2013, three percentage points less than the EU average. However, only 16% of managers in the sector see a need to reduce staff numbers further, in line with the EU average.

Most business, administration and other services establishments are classified as ‘business-as-usual’ in terms of recruitment and employment (67%). The vast majority of these establishments had not implemented any changes in recruitment policies (88%) or faced any problems in finding skilled employees (72%), or in retaining them in the workforce (98%). There was practically no perceived need to reduce staff (95%).

A fifth (20%) of business, administration and other services firms are part of the ‘shortage of matching skills’ cluster, characterised by a very high proportion of establishments that had difficulties in finding skilled employees (87%), and a relatively high proportion that introduced changes in their recruitment policies (34%).

A further 13% of establishments make up the cluster that is under pressure to reduce its workforce, which was the case in 77% of companies in this group.

### Training

Business, administration and other services establishments are more likely to provide training than EU establishments overall. The groups providing no or little training are below the EU average, and above average in the higher classes.

Three-quarters of the sector’s establishments offered paid time-off for training to some of their employees (EU28 71%;

see Table 5). In 20% of business, administration and other services firms, almost all employees have this option, in line with the EU average.

A large number of business, administration and other services firms (63%) have a selective approach, meaning that in most establishments, some of the employees have access to training.

The encompassing type covers 24% of the establishments in the sector that offer both types of training – on-the-job training and paid training leave – to a majority of employees. No training is offered by 9% of establishments, while a further 5% offer on-the-job training only.

### Working time flexibility

Business, administration and other services establishments are well above the EU average in terms of working time flexibility (Table 6). Flexibility in starting and ending times is common in 76% of sector establishments, well above the EU average of 65%. The possibility to take time off as compensation for overtime is possible for all or some employees in 74% of the units (EU28 69%).

‘Limited’ working-time flexibility is offered to employees in 40% of business, administration and other services establishments, which is below the EU average of 45%. This cluster is characterised by a high proportion of establishments that give no working time flexibility.

In 33% of business, administration and other services establishments, the selective flexibility type is prevalent. Flexi-time is offered in 83% of these units, but only in a small proportion of them (18%) is it offered to 80% or more of the workforce. Most firms of the ‘selective type’ have at least some part-time staff (75%).

More than a quarter (27%) of the business, administration and other services establishments make up the working time flexibility encompassing group (compared to 20% overall). Within this group, most establishments (85%) have

**Table 4: Profiles of establishments – Recruitment, employment, career development (%)**

		Business, administration and other services				Public sector EU28			
		Business-as-usual	Shortage of matching skills	Reduction in workforce	Overall	Business-as-usual	Shortage of matching skills	Reduction in workforce	Overall
<b>Group size</b>		<b>67</b>	<b>20</b>	<b>13</b>	<b>100</b>	<b>67</b>	<b>19</b>	<b>14</b>	<b>100</b>
Change in recruitment policies	Yes	12	34	30	19	11	32	26	17
	No	88	66	70	81	89	68	74	83
Difficulties in finding employees with the required skills	Yes	28	87	28	40	28	86	31	39
	No	72	13	72	60	72	14	69	61
Difficulties in retaining employees	Yes	2	29	16	10	3	30	16	10
	No	98	71	84	90	97	70	84	90
Need to reduce staff	Yes	5	12	77	16	5	13	78	17
	No	95	88	23	84	95	87	22	83
Changes in the number of employees	Increased	34	51	6	34	29	42	5	28
	Stayed about the same	52	37	21	45	54	43	20	47
	Decreased	15	12	73	21	16	16	75	24

Source: ECS 2013 – Management questionnaire

**Table 5: Profiles of establishments – Training (%)**

		Business, administration and other services					EU28				
		Selective	Encompassing	No training	On-the-job training only	Overall	Selective	Encompassing	No training	On-the-job training only	Overall
<b>Group size</b>		<b>63</b>	<b>24</b>	<b>9</b>	<b>5</b>	<b>100</b>	<b>63</b>	<b>21</b>	<b>10</b>	<b>5</b>	<b>100</b>
Time off provided by the employer for training (proportion of workforce)	None at all	18	6	100	85	25	21	7	100	83	29
	Low (up to 19%)	29	11	0	14	22	30	14	0	15	23
	Medium (20–79%)	39	34	0	2	33	35	33	0	1	30
	High (80% or more)	14	48	0	0	20	14	45	0	0	19
On-the-job training provided by employer (proportion of workforce)	None at all	25	0	98	0	24	26	0	98	0	27
	Low (up to 19%)	28	0	2	0	18	29	0	2	0	19
	Medium (20–79%)	46	15	0	3	32	43	14	0	2	30
	High (80% or more)	2	85	0	97	26	2	86	0	98	24

Source: ECS 2013 – Management questionnaire

**Table 6: Profiles of establishments – Working time flexibility (%)**

		Business, administration and other services				EU28			
		Encompassing	Limited	Selective	Overall	Encompassing	Limited	Selective	Overall
<b>Group size</b>		<b>27</b>	<b>40</b>	<b>33</b>	<b>100</b>	<b>20</b>	<b>45</b>	<b>35</b>	<b>100</b>
Flexibility in starting and finishing times	None at all	0	46	17	24	1	59	23	35
	Low (up to 19%)	0	8	20	10	0	8	23	12
	Medium (20–79%)	15	7	46	22	20	7	43	22
	High (80% or more)	85	39	18	45	78	26	12	31
Accumulation of overtime, and time in lieu	1 Yes, possible for all employees	81	46	52	58	79	44	54	54
	2 Yes, possible for some employees	11	7	31	16	11	7	28	15
	3 No	8	47	17	26	10	50	18	31
Part-time work	None at all	31	41	25	33	31	43	25	34
	Low (up to 19%)	49	45	54	49	49	42	54	48
	Medium (20–79%)	19	12	19	16	19	13	19	16
	High (80% or more)	2	3	2	2	2	3	2	2

Source: ECS 2013 – Management questionnaire

a flexi-time scheme in place for more than 80% of staff. Likewise, the opportunity to accumulate overtime is open to all employees in most of these firms.

## Variable pay

The patterns for all the variable pay forms addressed are largely similar in the sector to the overall averages (Table 7).

The ‘limited’ cluster of variable pay is made up of 45% of sector establishments (EU28 46%). Within this cluster there is practically no share-ownership or group performance-based pay scheme, and 10% or fewer of establishments in this group have individual performance-based payments or profit-sharing.

A small proportion of business, administration and other services firms (10%) offer an extensive range of variable pay schemes to their employees. For example, 96% of this group offer profit-sharing and 86% pay out some kind of bonus.

Nearly a half (44%) of establishments in the sector use a moderate range of variable pay schemes, as in the EU

overall. Payments for individual results (bonuses) are paid in 70% of these establishments, while payment by results is present in 49%.

## Employee participation and social dialogue

### Direct employee participation

In 38% of business, administration and other services establishments, a wide range of direct participation instruments are in use (Table 8), well above the EU average of 28%. Business, administration and other services managers are slightly more likely to be positive about employees' involvement than the EU average (80% compared to 78% overall).

Nearly one quarter of business, administration and other services establishments belong to the ‘low effort and little change’ cluster (23% compared to EU28 28%).

Establishments in this group most were likely to offer no



**Table 7: Profiles of establishments – Variable pay-schemes (%)**

		Business, administration and other services				EU28			
		Extensive	Limited	Moderate	Overall	Extensive	Limited	Moderate	Overall
<b>Group size</b>		<b>10</b>	<b>45</b>	<b>44</b>	<b>100</b>	<b>10</b>	<b>46</b>	<b>44</b>	<b>100</b>
Payment by results	Yes	73	7	49	32	75	8	52	34
	No	27	93	51	68	25	92	48	66
Individual performance-based payment following management appraisal (bonuses)	Yes	86	10	70	44	85	9	69	43
	No	14	90	30	56	15	91	31	57
Group-performance based pay	Yes	81	2	38	26	80	2	37	25
	No	19	98	62	74	20	98	63	75
Profit-sharing	Yes	96	8	36	30	96	8	37	30
	No	4	92	64	70	4	92	63	70
Share-ownership	Yes	33	1	6	6	27	1	5	5
	No	67	99	94	94	73	99	95	95

Source: ECS 2013 – Management questionnaire

opportunity to involve employees, while in 85% of these establishments no major change had taken place.

The ‘extensive and supported’ type of direct employee participation covers 63% of business, administration and other services establishments (EU28 57%). Within this group, in most establishments, employees were involved in joint decision-making (43%) or consulted (11%) about major changes.

Another 14% of business, administration and other services firms form the ‘moderate and unsupported’ group in terms of employee participation. In 44% of these establishments, employees were only informed about major changes, 22% were consulted and 26% were actually involved in joint decision-making.

### Workplace social dialogue

The ECS 2013 shows that an official structure of employee representation is present in 33% of establishments in the business, administration and other services sector, in line with the EU average of 32%.

In 54% of business, administration and other services establishments in which employee representation structures are present, they reported they were involved in joint decision-making (Table 9). In 13%, employee representation was not involved at all when it came to major changes.

The average scores of trust in both management and employee representation were nearly the same in the business, administration and other services sector and the EU average. Industrial action took place in 22% of business,

**Table 8: Profiles of establishments – Direct employee involvement (%)**

		Business, administration and other services				EU28			
		Low effort and little change	Moderate and unsupported	Extensive and supported	Overall	Low effort and little change	Moderate and unsupported	Extensive and supported	Overall
<b>Group size</b>		<b>23</b>	<b>14</b>	<b>63</b>	<b>100</b>	<b>28</b>	<b>15</b>	<b>57</b>	<b>100</b>
Number of instruments deployed for employee involvement	None	7	3	1	2	9	3	1	3
	1-4	82	73	49	60	83	79	59	69
	5-7	12	24	51	38	7	17	40	28
Management attitude toward direct employee participation (%)	Positive attitude	69	43	92	80	68	43	92	78
Level of direct involvement of employees in decision-making in most important change in past 3 years according to management	Not involved	3	7	2	3	4	7	2	3
	Informed only	10	44	15	18	9	43	14	17
	Consulted	0	22	11	10	0	25	12	11
	Involved in joint decision-making	2	26	43	31	2	24	43	29
	Not applicable (no major change happened)	85	1	29	38	85	1	28	40

Source: ECS 2013 – Management questionnaire

**Table 9: Profiles of establishments – Workplace social dialogue**

		Business, administration and other services					EU28				
		Extensive and trusting	Moderate and trusting	Extensive and conflictual	Limited and conflictual	Overall	Extensive and trusting	Moderate and trusting	Extensive and conflictual	Limited and conflictual	Overall
<b>Group size (%)</b>		39	25	23	13	100	39	26	23	12	100
Resources (score 0–100)	Average score	60	48	54	31	50	60	48	55	37	52
Available information (score 0–100)	Average score	85	73	71	28	67	87	74	70	30	69
Employee representation influence on decision making (score 0–100)	Average score	63	23	46	10	42	62	24	46	10	42
Trust in management (score 0–100)	Average score	82	63	63	52	74	82	77	63	50	73
Trust in employee representation (0–100)	Average score	72	70	63	65	68	70	69	61	62	67
Employee representation involvement in decision making (in %)	Not involved	0	20	3	54	13	0	15	3	52	11
	Informed	1	34	17	37	17	1	37	18	38	19
	Consulted	9	25	23	5	15	8	24	25	6	16
	Involved in joint decision-making	91	21	57	4	54	91	24	54	3	54
Industrial action since 2010 (%)	Occurred	8	11	45	41	22	7	9	42	34	19

**Source:** ECS 2013 – Management and employee representative questionnaires

administration and other services firms, slightly above the overall incidence in the EU as a whole of 19%.

The extensive and trusting cluster comprises 39% of business, administration and other services establishments. Employee representatives are comparatively well resourced and enjoy a very high level of provision of information. The management is highly trusted in this cluster and in 91% of establishments in this group, employees are involved in joint decision-making.

A quarter of the sector’s establishments (25%) form the moderate and trusting cluster (compared to 26% overall). As compared to the extensive and trusting cluster, they are less well-resourced, get less information and are mostly only informed about important decisions (34%). Nevertheless, a relatively high level of mutual trust is reported in this cluster, coupled with a low incidence of industrial action.

The extensive and conflictual group comprises 23% of establishments in the business, administration and other services sector. Employee representatives are involved in decision-making in 57% of these establishments and feel they have some influence on decisions taken in the establishment (46 points). Nonetheless, the employee representatives’ trust in management is among the lowest of the four types, as is the management’s trust in employee representation. Industrial action took place in 45% of business, administration and other services establishments in this group.

The limited and conflictual group makes up 13% of the business, administration and other services sector (overall 12%), characterised by low mutual trust levels, a high incidence of industrial action and a high proportion of establishments that do not involve their employees in decision-making at all. This group has by far the lowest ‘available information’ score of the four groups.

#### Further information

The report *Third European Company Survey: Overview report* is available at: <http://bit.ly/3ECS2015/>

For more information, contact Franz Eiffe, Research Officer at [fei@eurofound.europa.eu](mailto:fei@eurofound.europa.eu)