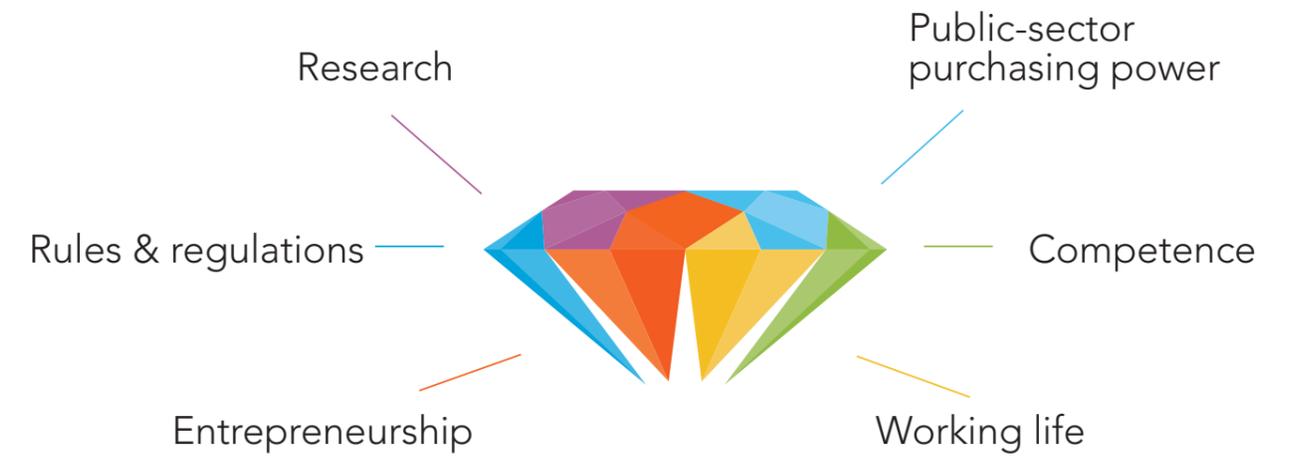




PROMOTING THE SERVICE  
SOCIETY IN EUROPE  
ALMEGA'S PROGRAMME

**almeGa**



Almega has identified a number of different areas of real importance to the expansion of the service society. Research, Rules and regulations, Entrepreneurship, Public-sector purchasing power, Competence and Working Life. Each of these areas is important in its own right, and together they form a single whole where renewal and development will generate success for Europe.

The jewel is an explanation model aimed at creating growth and development in Europe by fully utilising the potential of the human factor. The model indicates opportunities for the EU to become a future global and competitive player.

Almega is Sweden's largest organisation for service companies in the private sector. Many of our member companies are leaders in their areas of operation and in the development of new services. Service companies also contribute to the development of industrial products, to the whole business sector and to the public sector. These are the companies where new business ideas are born, and where new jobs are generated. This is Almega's programme for encouraging the European Union to promote the service society.

### OLD MAP OR NEW?

The EU is currently facing a choice which, at first glance, appears quite simple. The choice is between recognising that the EU is now a service society and appreciating the power to grow which exists in the development of services, or being governed by an outmoded image of society.

The facts suggest that this ought to be a simple choice. At least two-thirds of all new businesses in the EU are set up within the service sector. In Sweden, 80 percent of all new businesses are service companies. The service sector accounts for 60 percent of the EU's GDP. 7 out of 10 Europeans work in the production of some form of service. The service sector plays a decisive role in a growing private sector. New companies are born and new jobs generated, both in traditional service areas and in new, knowledge-intensive areas.

A great deal of effort should now be focused on adapting rules and regulations, taxes, collective agreements, research and business policy, with the aim of maximising the impact of the service society. The EU's power should be focused increasingly on the future.

But the choice is not quite that simple. Any change will be met with resistance from vested interests, the authorities and organisations whose raison d'être depends on a mandate from the distant past. The change may be painful, but it is essential. Those who want to achieve change must have knowledge, understanding, political courage and a great measure of perseverance. We believe that rapid change must come about in a number of areas if we are to take full advantage of the growth potential in the service society. A clear understanding of the service industries, based on facts and figures, must be transformed into a vision for the future and concrete targets.

### THE NEW REALITY

Many countries in the western world face the same challenges as Sweden does, and this is confirmed by both the EU commission and the Council of Ministers.

Structural changes involve both the development of products with increased service content and the actual production of services taking new, innovative leaps. The production of services will feature a greater knowledge content and become exposed to increasing international competition. Knowledge-intensive services in particular will be sold to a wide range of branches and sectors throughout the economy, as well as directly on the export market.

Following the financial crisis, the export of services may increase even more. We can also expect a recovery for "goods exports". The focus should, therefore, be on creating the best possible conditions for expanding the range of internationally-competitive businesses, irrespective of whether they are classed as service or manufacturing companies.

If we take Sweden as an example, the structural changes undergone since the 1990s have involved an increased level of specialisation in both manufacturing and the service sector. The proportion of people employed in knowledge-intensive service branches with sales to manufacturing industry has increased. More than half of those employed in the service sector today are involved in the provision of knowledge-intensive services. The latest data from Statistics Sweden shows that, in 2005, around 178,000 people worked in the knowledge-intensive service sector associated with manufacturing industry. It is estimated that this trend has continued in more recent years, as employment in manufacturing has fallen, while employment in the knowledge-intensive service branches has risen. In 2005, the knowledge-intensive part of the private service sector employed almost 970,000 people in total, and by 2008, this had increased to over a million.

The knowledge-intensive service sector has also grown significantly in the new Millennium. This is due to increased demand from manufacturing industry and from a number of other sectors in the economy. Just over a quarter of employment in the corporate services area is due to demand in the manufacturing sector. Consequently, other sectors in the Swedish economy account for three-quarters of employment in this area.

The demand for services has also increased in the export market. In 2008, the export of services made up around one-third of Sweden's total exports. The service sector has become increasingly exposed to foreign competition, as a result of both increased exports and greater integration with the export industry. Another source of competition is the establishment of foreign companies on the internal market.

*“The need among businesses for well-educated staff with expert knowledge has increased.”*

With economic recovery, there is a need within the EU to expand capacity in the form of real capital and intellectual “knowledge and strategic capital”, to increase competitiveness and production capacity, and to meet demand from the rest of the world.

In this context, the intellectual investment and human capital has become increasingly significant in raising productivity levels and competitiveness. Since the 1990s, and particularly in recent years, the proportion of highly-qualified labour in the workforce has risen in most industries. The sectors with the highest proportions can be found in corporate services, financial services, education and health care. In manufacturing industry, the proportions are highest in the chemicals and electronics industries.

The need to increase the availability of well-educated and highly qualified labour shows no sign of abating. The business sector’s requirement for highly-educated staff with expert knowledge has increased, particularly since the start of the 21st Century. At the end of the last upturn in the economic cycle, growth in the knowledge-intensive service sectors was restricted by a shortage of labour.

## **THE HUMAN FACTOR**

A distinctive characteristic of the service sector is its heterogeneity, i.e. that it is so diverse.

It includes IT-consultants, funeral parlours, health care companies, architects, advertising agencies, accountants, midwives, cleaners, technical consultants, staffing companies, teachers, journalists, security companies and Internet operators. The full list is significantly longer.

The common thread which unites the service sector is The Human Factor. New business solutions and innovations within the service industry come about as a result of constant ongoing interaction between people, and meetings between service company suppliers and their clients. The assets of service companies rarely involve patents, but come in the form of intellectual assets which, in most cases, are brought by the people working for them. It is their knowledge and creativity which forms the basis for the services they provide. A service is frequently produced and consumed in the same instant, in a meeting between two individuals. A service is not something which can be stored on a shelf.

It is an often-repeated truth that service companies are personnel-intensive. Another way of putting it is that they consist of people rather than machines.

The Human Factor involves a different type of logic, a different way of doing business and a different way of organising an operation, compared with the Taylor-based principles of mass-production. The Human Factor makes it obvious that the content of rules and regulations, agreements and policies must change.

These rules and regulations currently reflect a Europe of the past. We have labour laws and collective agreements designed for factories with time clocks and conveyer belts. Our tax system rewards investment in machinery and penalises investment in employee knowledge. The same pattern is repeated in one area after another.

This must be changed. The EU has to be upgraded. We must make the leap from telephone poles to IP telephony. The needs of the service society can no longer be contained by the network of the industrial society.

## **ALMEGA’S PROGRAMME FOR AN INNOVATIVE AND EXPANDING SERVICE SECTOR**

Almega has formulated a programme aimed at promoting growth and innovation in services. It is based on relevant service research typology, as well as on all the information provided to the organisation by member companies.

The programme reflects the priorities adopted by Almega in late 2009 and early 2010. It is covered by the headings public-sector purchasing power, competence for services, modern agreements for modern companies, entrepreneurship, rules and regulations, as well as research and innovation. These are presented under individual headings below. To this should be added the priorities identified by Almega’s associations, which are specific to their branches. These are presented in a data sheet.

The vision for this programme is to allow the EU to justifiably call itself a service society in a globalised world.

## 1. PUBLIC-SECTOR PURCHASING POWER

Public spending in Europe is enormous. By turning the concept on its head and regarding it as an asset rather than just a cost, the public sector can power an exciting trend of renewal and innovation. The public sector can become a positive force in society, rather than just a costly handicap.

Procurement and systems promoting freedom of choice generate growth and renewal for private service companies. It also offers the opportunity to export services to other countries. Almega makes the following concrete proposals:

- Public sector operations should be opened to competition done in a way which promotes innovation, new solutions and the creation of new businesses.
- The citizens' right to choose should form the cornerstone of the modernisation of the European welfare system. As far as possible, provide individuals with the right to determine their own choice of publicly-financed services, including health care, education, care, recruitment, rehabilitation and other services.
- Appoint a committee to investigate the future financing of the welfare system.
- It must be acceptable that companies in the welfare sector, just like other companies, are run at a profit.

## 2. COMPETENCE FOR SERVICES

A growing proportion of well-educated employees have contributed to the positive productivity trend which has been noticeable over many years. The knowledge, skill and talent of staff are fundamental to any service operation.

Many service operations frequently require interdisciplinary and multidisciplinary competence profiles. These combine technical skills with financial, design, creative, innovative and social competence. Nowadays, the demand is for problem-solvers and initiative-takers, and tasks are becoming increasingly analytical and interactive. Today's top-down approach to education is not particularly well suited for this need. Almega's proposals:

- Open the door to a broader view of society's need for competence. Examples of service skills includes customer focus, communications skills, an ethical approach, the ability to take the initiative, the ability to work as part of a team and skills in structuring work processes.
- Contribute to increased competition and quality in the education market by encouraging an entrepreneurial approach.
- A significant proportion of the resource allocation to universities and colleges should be governed by quality assessments, with employability after the completion of education as a central criterion.

*"Wage trends must be based on the individual company and the individual employee."*

## 3. MODERN AGREEMENTS FOR MODERN BUSINESSES

In service companies, the mutual dependence between employers and employees is extremely strong. The relationship between employers and employees can no longer be described in simple terms of conflicting interests.

The brains of employees represent an enormous capital. If every individual employee is not rewarded in the right way and is not provided with incentives to perform well at work, there is a risk of loss of capital. This is where wage trends play a decisive role.

General wage increases, determined by central parties on the labour market, no longer have a place in the service society. Wage trends must be based on the individual company and the individual employee.

We now also have a 24-hour society, where factory time clocks are no longer relevant. Today, we buy and sell services 24 hours a day. Working hours are no longer confined to between 08.00 and 17.00. And what constitutes unsocial working hours for one person may be ideal for another. We make the following proposals:

- Trade unions, employer organisations, businesses and staff should determine wages locally, with individually-set salaries. This gives every workplace the ability to attract, retain and develop the right competence. Labour law and collective agreements must permit flexibility in the allocation of working hours.
- The systems for security in the labour market, such as the right to work, must be more responsive to the demand for particular expertise.
- It must be easier for people to move between different employers, and between employment and self-employment.
- Labour law and collective agreements must not act as obstacles to the use of staffing companies to create the necessary flexibility.

#### 4. ENTREPRENEURSHIP

It is vital to ensure the continued infusion of new companies, since the EU needs a blend of both large and small service companies. Almega makes the following proposals for this area:

- Adapt programmes for entrepreneurs and support for business start-ups to take account of service companies.
- Direct authorities and organisations which provide support for exporters to improve their knowledge of the export of services and implement targeted programmes for service companies, such as specifically-themed trips for delegations and the establishment of contact points on selected export markets.
- Improve the collection and classification of statistics on service companies.
- Integrate the entrepreneurial perspective more widely in the education system, including teacher and health care training.

#### 5. RULES AND REGULATIONS

It cannot be emphasised enough – in a service economy, it is crucial that staff in companies and organisations are given clear incentives to improve their competence and accept more qualified and responsible tasks. The tax system plays a decisive role in achieving this.

There is a great need for flexibility in the labour market, since there will be wide variations in the demand for and availability of various types of competences. A service economy must also make it easy to switch between employment and self-employment.

The EU rules and regulations were improved significantly by the adoption of the Services Directive. But the Directive ought to be extended to more sectors, and implementation must be monitored closely in each member country. We propose

- Encouragement of greater liberalisation of international trade, including services. Applies to trade both inside and outside the EU.
- Standardisation of services at EU level to be used to open up markets. Considering the intellectual, customer-focused nature of services, services must not be forced into a standardisation model intended for goods.
- Reduce tax on work and reduce tax wedges and the marginal effects of tax systems. Make it worth an individual's while to invest in knowledge and accept more qualified tasks.
- The opportunity to amortise investment in competence development ought to be the same as for depreciation of investment in plant and machinery.
- National insurance must increasingly cover self-employed people as well. The insurance system must be flexible and more responsive to the need for change.

*“The European Union needs a blend of both large and small service companies.”*

#### 6. RESEARCH AND INNOVATION

The EU innovation system largely meets the needs of the manufacturing industry. This imbalance must be rectified. Innovation strategies suited to a service society must be combined with sector-level innovation.

In countries such as Germany, Finland, Denmark, Ireland and the Netherlands, national strategies aimed at utilising the expansion power of services have been adopted. The same is needed at EU level.

In a service society, innovation is continuous, and the product of close interaction between clients and businesses. New services are developed as a result of dialogue, in a joint creative process. The strongest driving forces behind progress are clients and staff. Almega's proposal:

- Develop a European service innovation policy.
- Create a European structure, with information on where service research is produced, and allowing service research hubs to disseminate the results of research.
- At present, the innovation structure is adapted to technical innovation and product development. Service innovations must also be granted access to support, such as business incubators.

# ALMEGA

Almega - Sweden's largest employer and trade organisation for service companies - is a group of associations with around 10.000 member companies with a total of 500.000 employees. The member companies represent over 60 branches in the Swedish service industry.

[www.almega.se](http://www.almega.se)