



Working paper series

No 5 / September 2021

ADAPTING BUSINESS PRACTICES TO NEW REALITIES IN THE MIDDLE OF A CRISIS

**First findings from the COVID-19
European company survey**

Jasper van Loo, Franz Eiffe and
Gijs van Houten

The **European Centre for the Development of Vocational Training** (Cedefop) is the European Union's reference centre for vocational education and training, skills and qualifications. We provide information, research, analyses and evidence on vocational education and training, skills and qualifications for policy-making in the EU Member States.

Cedefop was originally established in 1975 by Council Regulation (EEC) No 337/75. This decision was repealed in 2019 by Regulation (EU) 2019/128 establishing Cedefop as a Union Agency with a renewed mandate.

Europe 123, Thessaloniki (Pylea), GREECE
Postal: Cedefop service post, 570 01 Thermi, GREECE
Tel. +30 2310490111, Fax +30 2310490020
Email: info@cedefop.europa.eu
www.cedefop.europa.eu

Jürgen Siebel, *Executive Director*
Barbara Dorn, *Chair of the Management Board*

Please cite this publication as:

Van Loo, J.; Eiffe, F. and Van Houten, G. (2021). *Adapting business practices to new realities in the middle of a crisis: first findings from the COVID-19 European company survey*. Luxembourg: Publications Office of the European Union. Cedefop working paper; No 5. <http://data.europa.eu/doi/10.2801/92218>

Luxembourg: Publications Office of the European Union, 2021

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PDF ISBN 978-92-896-3263-8
ISSN 1831-2403
doi: 10.2801/92218
TI-BA-21-003-EN-N

Acknowledgements

This working paper was jointly drafted by Cedefop and Eurofound. It is based on an online follow-up to the 2019 European company survey on COVID-19, which was jointly developed and financed by the two agencies and carried out at end-2020. From the side of Cedefop, Jasper van Loo (Coordinator, Department for skills and labour market) took the lead in drafting this report. Eurofound's Gijs van Houten (Research Manager, Employment Unit) and Franz Eiffe (Research Officer, Working Life Unit) coordinated the survey implementation, carried out the analysis on which this paper is based and contributed to the report. Eurofound and Cedefop wish to thank for their cooperation the over 1 200 companies in the EU that took part in this survey.

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Non-technical summary

This working paper presents the first findings of an online COVID-19 follow-up to the [European company survey \(ECS\) 2019](#), carried out jointly by Eurofound and Cedefop. The follow-up survey was developed, organised and fielded in November 2020 by Eurofound and Cedefop. It explores the impact of the health crisis on companies in the EU-27 and sheds light on how employers reacted to it.

While the disruption caused by the pandemic was more severe in some parts of the economy than others, most EU companies changed their core business activities and adapted infrastructure and work organisation. Telework arrangements, a relatively marginal phenomenon in 2019, became a reality in 70% of companies. Most of them expect the increase in telework to be structural, at least in the medium term. Most employers are positive about the shift to telework and only a small minority of firms are negative about its efficiency and effectiveness.

The approach to managing staff shifted more often towards creating a work environment conducive to autonomy than towards control arrangements to closely follow whether employees carry out their tasks. The pandemic contributed to changes in work tasks, but typically this affected only a minority of employees. Changes in skills needs appear to be more pronounced, affecting three in four companies. Most companies adapted their training strategy in 2020, mainly through a focus on supporting individual employees. While the pandemic contributed to learning needs, it also disrupted many corporate training activities. In a context of practical constraints linked to social distancing, less investment in equipment, and many businesses prioritising to keep business afloat, the share of workers participating in training provided or funded by employers declined substantially.

CHAPTER 1.

Introduction

In 2020, EU Member States rolled out unprecedented support measures to help companies deal with the economic fallout from the COVID-19 pandemic and to address the socioeconomic challenges the crisis brought about. Short-term work arrangements, direct financial support and other measures helped avoid significant employment losses ⁽¹⁾.

The economic and employment shock resulting from the pandemic set in motion a process of transition and transformation in the world of work. After dealing with the immediate consequences of the crisis, adjusting to the new circumstances it created often required employers to rethink the way they do business or interact with customers. Many of them – in particular companies in sectors severely affected by social distancing measures and movement restrictions – had to survive several months on government support measures, with little or no turnover.

Changes in production and service processes have important consequences for work organisation, jobs and skills needs. Systematically mapping such changes in times of transition is challenging, because the collection and publication of enterprise data and statistics follows a calendar that is more suitable to monitor long-term and gradual change than disruption. As a result, much evidence on the impact of the COVID-19 crisis in organisations, published in 2020, is based on small or convenience samples or of a predominantly qualitative nature.

This research paper provides insight into how the pandemic affected EU companies. It reports the main findings of a COVID-19 follow-up to the European company survey (ECS) 2019. As was the case with the ECS 2019, the follow-up is a joint undertaking of the EU agencies Eurofound and Cedefop. The survey was developed after summer 2020, fielded in November, and analysed in early 2021. A Eurofound report with more in-depth findings from the survey and follow-up interviews with managers will be published at end-2021.

1.1. COVID-19: impact on labour markets and beyond

The pandemic and its wide-ranging impacts led to a surge in research on how societies, labour markets, education and training systems and citizens are affected

⁽¹⁾ For an overview of measures aimed at mitigating the impact of the pandemic on economies and societies, see Eurofound (2021b).

by, and adapting to, radically changed circumstances ⁽²⁾. Such work has been carried out at different levels and from various perspectives.

Eurofound's European Restructuring Monitor shows that the health crisis doubled restructuring job loss in the first half of 2020, with the transport and hospitality sectors most severely affected (Eurofound, 2020a). Cedefop's skills forecast COVID scenario (Cedefop, 2021b) shows that the pandemic is likely to accelerate megatrends that have been around for a long time. These trends include the structural shift to growing employment in services, automation/digitisation and labour market polarisation towards high-skilled jobs.

High-skilled employment is growing not only because the share of high-skilled occupations is growing, but also because of skills upgrading raising qualifications within jobs. Jobs that require physical proximity to people (colleagues, clients/customers or the general public) are at risk. Analysis based on the first European skills and jobs survey (Pouliakas and Branka, 2020) shows that almost one in four jobs in the EU (45 million) face a very high risk of disruption because of social distancing measures, while another 22% are exposed to some risk. Vulnerable groups (e.g. ageing workers, non-natives and lower-educated) are disproportionately affected.

Eurofound's living, working and COVID-19 surveys help map the economic and social consequences of the pandemic from the perspective of citizens (Eurofound, 2020b; 2021a). They identify increased job insecurity due to the threat of job loss, decline in mental wellbeing, erosion of progress made in gender equality, and falling trust in institutions such as national governments and the European Union. The surveys also point to a deterioration of work-life balance and show that declining trust in institutions compromises the ability to fight the pandemic, as low trust contributes to increasing vaccine hesitancy.

Big data has proven useful in mapping the labour market impacts of the crisis as they were happening. Online job advertisement data show that, after a 31% drop in the advertising of jobs online in March-June 2020, many employers resumed advertising new positions after the summer and that the manufacturing sector drove the recovery. However, the second wave and the lockdown restrictions that followed reversed the positive trend at end-2020 (Cedefop, 2021a). Analysis of online job advertisements also enables uncovering trends in skills. Analysis comparing skills in online job advertisements in 2020 and 2019 shows that, apart from expanding demand for digital skills, employers in 2020 placed more emphasis on skills needed to reshape business and sales models,

⁽²⁾ For an overview of Cedefop's and Eurofound's research and analysis on the COVID-19 pandemic, see <https://www.cedefop.europa.eu/en/landing-page/corona-virus> and <https://www.eurofound.europa.eu/topic/covid-19>

demonstrating the transformative impact the pandemic is having on business (Cedefop, 2021a).

1.2. European company survey COVID-19 follow-up

The aim of the European company survey (ECS) COVID-19 follow-up was to gather new evidence on how companies in the European Union responded to the challenges brought about by the pandemic. The survey follows up the ECS 2019, which was jointly undertaken by Eurofound and Cedefop ⁽³⁾. The ECS maps and analyses company policies and practices which can have an impact on smart, sustainable and inclusive growth, as well as the development of social dialogue in companies.

The COVID-19 follow-up ECS was conducted online among managers who agreed to be recontacted for research purposes following their participation in the ECS 2019. They were invited to complete an online questionnaire focusing on COVID-19 about six months after the health crisis hit. The survey questionnaire repeated a range of questions from the 2019 survey to enable comparisons over time. It also featured a set of newly developed questions on the effects of the health crisis on business operation – immediately after the start of the crisis and afterwards – and work organisation, human resource policies, changes in skills needs, training, telework and related issues.

After translation into 21 languages and language verification, invitations containing a link to the questionnaire were sent via e-mail to 5,134 companies in the then EU-27 and the United Kingdom. A total of 1,289 of them answered the questionnaire. This research paper presents findings for the EU-27. The data collected was weighted to match the population of companies in the EU and obtain representative findings (Box 1).

⁽³⁾ The ECS 2019 findings are reported in: Eurofound and Cedefop (2020). *European company survey 2019: workplace practices unlocking employee potential*. Luxembourg: Publications Office. European company survey 2019 series. https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef20001en.pdf

Box 1. ECS COVID-19 follow-up: approach to weighting

The weighting that was applied for the ECS 2019 was the starting point for the weighting for the ECS COVID-19 follow-up. This weighting corrects for (a) the fact that the sample was designed to over-represent larger establishments, (b) differences between establishments that did and did not complete the screener interview and (c) differences between respondents who did and did not complete the questionnaire online. It calibrates the sample distributions against population statistics (see <https://www.eurofound.europa.eu/sites/default/files/wpef20014.pdf>).

Because respondents who completed the COVID-19 follow-up survey again differed somewhat from those that did not, a further correction, using propensity score weighting, was applied. To do so, variables from the ECS 2019 were analysed to identify those variables most closely associated with participation in the follow-up. Using these variables and country, sector and size, response propensities were estimated. The inverse of these predicted propensities was multiplied by the original ECS 2019 weight. Finally, the weights were trimmed at the top and bottom percentile, to avoid an undue influence of outliers.

Source: Authors.

1.3. Approach to reporting findings

The findings reported in this working paper are EU-27-level aggregates. The low number of survey responses in several countries prevents analysis at national level. In the chapters that follow, other key variables that characterise companies are used in the analysis. For all themes, issues, trends and corporate responses, it was systematically assessed whether there are differences according to economic sector, firm size (number of employees), employment developments in 2020, and establishment type (single-establishment company, headquarters, subsidiary site). The categorisation developed on the basis of the 2019 ECS, which distinguishes four groups of companies based on the extent to which they invest in employees and involve them in decision-making, was also used as a key background variable (Box 2).

Box 2. **Grouping of companies based on workplace practices**

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

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

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

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

Source: Eurofound and Cedefop (2020).

CHAPTER 2.

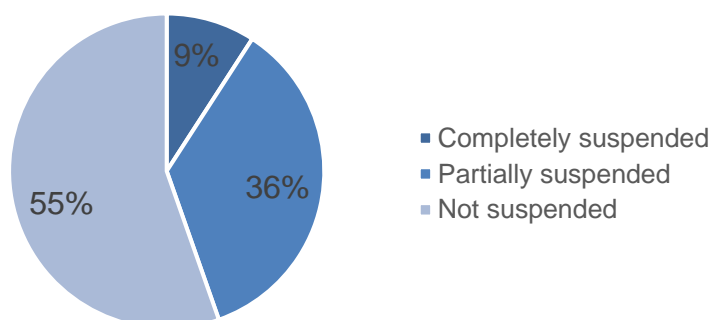
COVID-19 impact on business

Almost all companies were affected one way or another when or after the pandemic fully hit economies and societies in April 2020. This chapter provides an overview of the immediate impacts of the health crisis and how companies responded to the public health measures taken by governments.

2.1. Business continuity

About one in 10 businesses surveyed completely suspended operations because of the pandemic. For 36%, the immediate impact of the crisis resulted in a partial suspension of activities (Figure 1). Companies in the industry and construction sectors were least affected; companies in the commerce and hospitality and transport sectors were most likely to fully or partially suspend their business activities. Smaller companies (10 to 49 employees) were more likely to fully or partly shut down than medium-sized and large ones. In three in every four companies suspending operations due to the pandemic, there were some staff cuts (<10% of the total number of employees).

Figure 1. Immediate impact of COVID-19 on business operations, EU-27



Source: Eurofound/Cedefop COVID-19 ECS follow-up survey (2020).

It is obvious that many employers were little or not prepared. Fewer than one in three companies had a contingency or business continuity plan (BCP) in place before the COVID-19 pandemic hit. Companies in construction and commerce and hospitality were least likely to have such plans. With a minority having contingency planning or a BCP in place, small and medium-sized (10 to 249 employees) and single-establishment companies appear to have been least prepared.

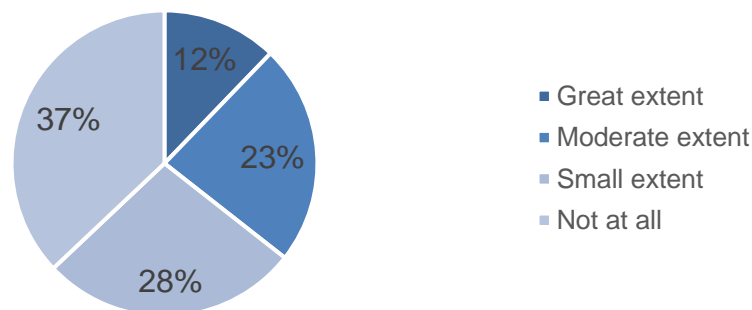
Preparedness for unforeseen developments or shocks goes together with an active stance on skills development and use. Companies with a high-investment, high-involvement approach to workplace practice and managing human resources were twice as likely to have a BCP or other plan in place as those whose approach can be characterised as low-investment, low-involvement.

Six in every 10 companies applied for government support to help them deal with the consequences of the pandemic. Most of these had their application approved or were waiting for approval at the time they were surveyed. Three in four companies where employment declined by more than 10% benefited from government support. This support included public schemes available at national, regional or local level, and commonly involved tax delays, financial grants or wage subsidies. Although construction companies, which were least likely to completely suspend operations, and firms providing services applied less often for support, one in two still relied on the support lifelines to keep business afloat.

2.2. Changing core business activities

The pandemic and its wide-ranging impacts led to changes in core business activities in most companies (Figure 2). The changes were most pronounced in companies providing services, which often had to rethink the ways they interacted with clients or customers. In most construction and transport companies, core business activities did not change and, when there was change, its extent was often moderate or small. While 60% of mid-sized companies (50-249 employees) changed their core business activities in response to the challenges brought about by the pandemic, the share of small (10 to 49) or large (250+) companies that did so is around 35%.

Figure 2. **Extent of change in core business activities due to COVID-19, EU-27**



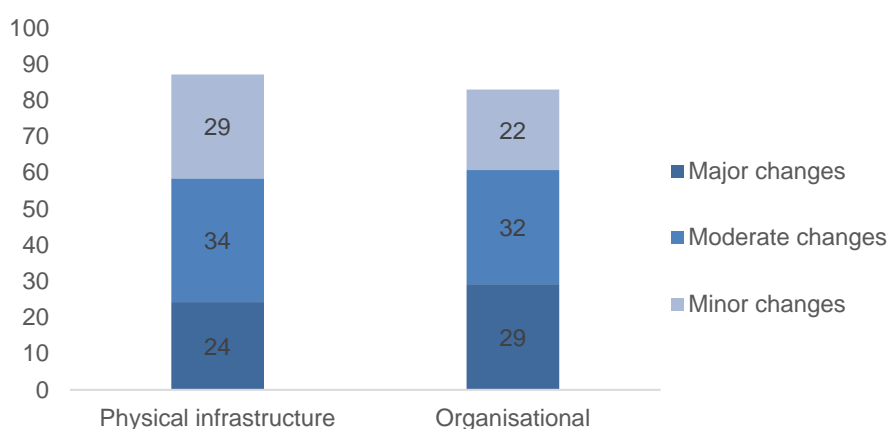
Source: Eurofound/Cedefop COVID-19 ECS follow-up survey (2020).

Substantial (large or moderate) changes in core business activities often coincides with shrinking employment. More than half of firms where the number of employees decreased by more than 10% in 2020 substantially changed their core business activities. Core business activities did not – or only marginally – change in a clear majority of companies with increasing employment in 2020.

2.3. Adapting business operations

Managing business in the challenging context created by the pandemic required almost all companies to make changes to production or value-generating processes (Figure 3). A total of 87% made changes to their physical infrastructure to comply with COVID-19-related health and safety regulations; e.g. by reorganising work stations or installing protection screens. In 83% of companies, restrictions and social distancing measures led to organisational change. This involved measures aimed at reducing the risk of virus transmission, such as staggered starting and finishing times, working in shifts, adapting reporting structures, and changes in the frequency and types of meetings.

Figure 3. **Extent of changes linked to COVID-19-related regulations, EU-27**



Source: Eurofound/Cedefop COVID-19 ECS follow-up survey (2020).

In sectors where physical contact with customers is central to doing business, such as commerce and hospitality and services, companies more often made major or moderate changes to their physical infrastructure than was the case in industry or construction. With three in four companies implementing major or moderate changes in response to the pandemic, organisational change was most common in services (including financial; 60% of companies in industry made such changes).

Large companies were more likely to change their physical infrastructure or implement organisational changes than mid-sized or small ones. But even among small-size companies (10 to 49 employees) only a minority did not make any change to their infrastructure or to the way work was organised. Part of the organisational change required employing new staff to implement measures to comply with COVID-19 health and safety regulations. Companies with a growing workforce were more likely to make major organisational change than firms where employment decreased.

CHAPTER 3.

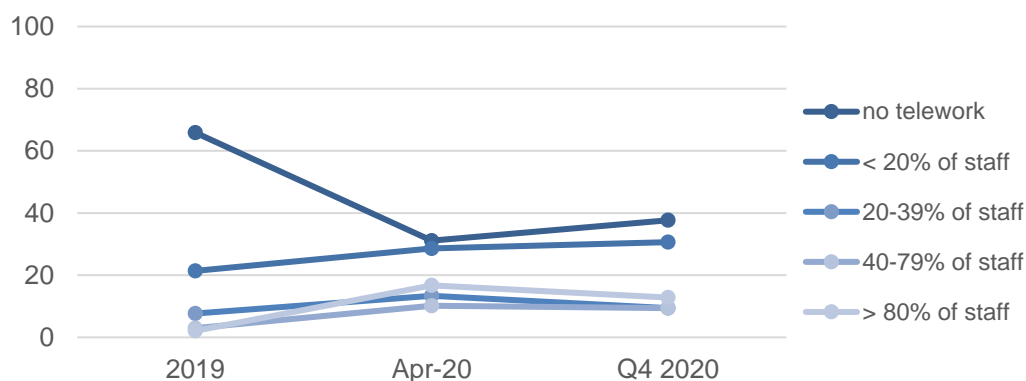
Telework and managing staff

The COVID pandemic radically changed how everyday work is organised in many companies. This chapter provides an overview of trends in telework in 2020 and explores what approaches companies pursued to manage their staff in changed circumstances.

3.1. The telework boom

In 2019, two in three companies did not have any staff teleworking, and having more than 20% of staff working remotely was a relatively marginal phenomenon (Figure 4). At the peak of the pandemic in April 2020, almost 70% of companies had in place telework arrangements for some or all their staff. The share of companies where a significant part of staff (20% or more) teleworked increased almost threefold, from 13% in 2019 to 32% in April 2020. After the second wave subsided in autumn 2020, the lifting of restrictions led to small reversals of the trend towards more telework, except for the share of firms having in place telework involving less than 20% of staff, which continued to increase slightly.

Figure 4. Trends in telework between 2019 and Q4 2020, EU-27

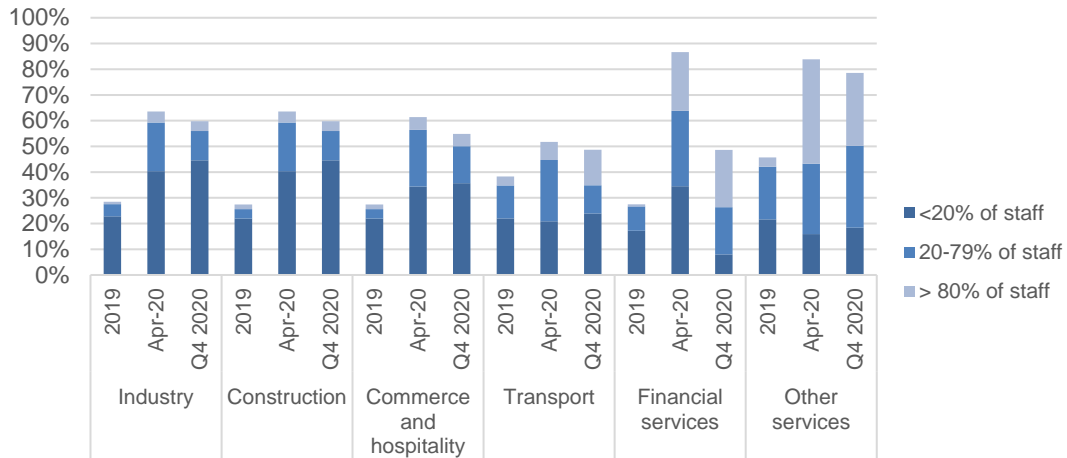


Source: Eurofound/Cedefop COVID-19 ECS follow-up survey (2020).

While telework in 2020 was most prevalent in large (250+) companies, it increased fastest in small ones. In most sectors, the patterns of expanding telework are similar, more than doubling in April 2020 and slightly decreasing after that (Figure 5). In the transport sector, where telework was more common already before the COVID-19 crisis, the increase in 2020 was less pronounced. Only in

financial services did the share of teleworkers fall substantially between April 2020 and the end of the year, partly reversing the upward trend.

Figure 5. Trends in telework between 2019 and Q4 2020, by sector, EU-27

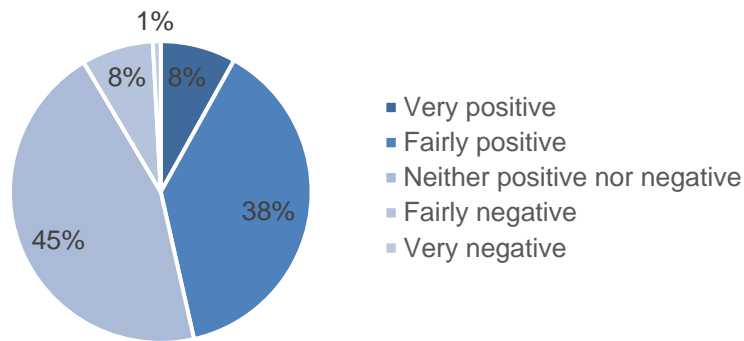


Source: Eurofound/Cedefop COVID-19 ECS follow-up survey (2020).

Much of the increase in telework appears to be permanent. Most employers (56%) expect that the share of employees teleworking will stay about the same in the next three years, while 14% expect an increase. Among companies that expect the share of their staff teleworking to decrease (30%), half of them think that the share will still be above the 2019 level three years from now. Companies providing financial services are most likely to expect telework to further increase. Larger companies are more likely to expect the positive trend towards more telework to continue than mid-sized or small companies.

In most companies, telework appears to have worked rather well (Figure 6). Only a small minority is negative about the experience with telework in terms of effectiveness and efficiency.

Figure 6. **Perceived effectiveness and efficiency of telework, EU-27**



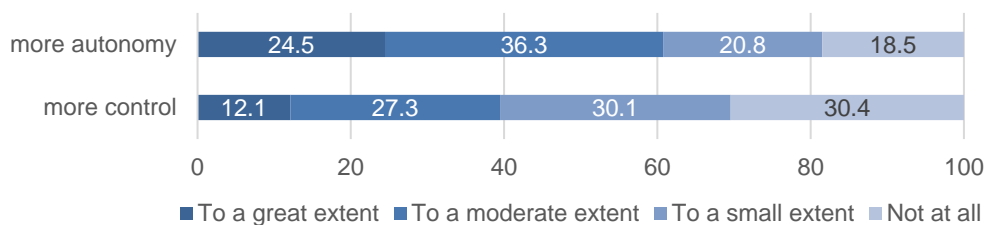
Source: Eurofound/Cedefop COVID-19 ECS follow-up survey (2020).

A total of 46% of companies are very or fairly positive about telework, while 45% are neither positive nor negative. Companies with an active stance on investing in staff and employee involvement (high investment, high involvement or selective investment, moderate involvement) are more positive about their experience with telework than companies with a less inclusive and less investment-oriented approach to work organisation.

3.2. Managing employees

Changing circumstances and the massive shift to telework have been a reason for many companies to change their approach to managing staff. It appears that a clear majority of companies (61%) chose to focus on creating an environment where employees can autonomously carry out their tasks (Figure 7). With two in three companies providing services reporting that managers focus on autonomy, companies in this sector were most likely to have shifted focus in this direction.

Figure 7. **Changes in staff management in response to COVID-19, EU-27**



Source: Eurofound/Cedefop COVID-19 ECS follow-up survey (2020).

Fewer (39%) companies chose to focus on managing staff by controlling whether employees follow the tasks assigned to them. Companies in the commerce and hospitality sector were most likely to move towards more direct control.

While firm size matters for control (i.e. smaller companies tended to follow this approach more often than larger ones), there are no clear differences between companies of different sizes when it comes to giving employees more autonomy. Establishment type matters: only one in five single-establishment companies focused on creating a work environment giving employees autonomy in carrying out their tasks. In contrast, one in two establishments that are part of a larger company (i.e. subsidiary sites) followed this approach. Unsurprisingly, a clear focus on employee autonomy is also more likely in companies with a high-investment, high-involvement approach to work organisation.

CHAPTER 4.

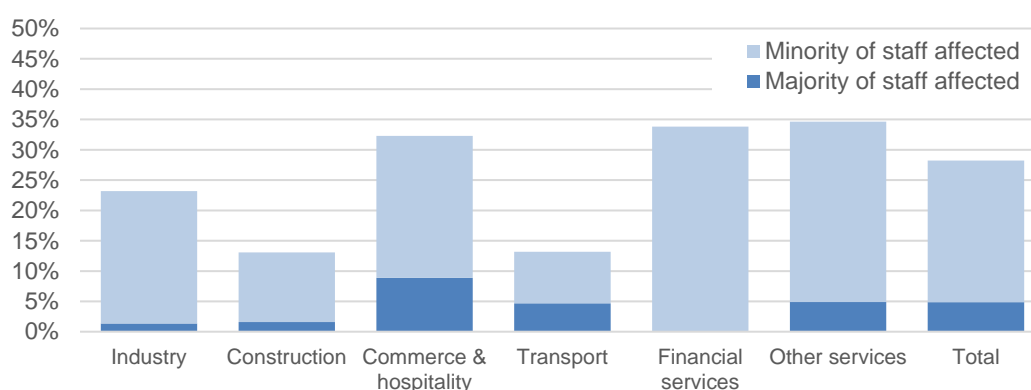
COVID-19, skills and training

Apart from affecting business and work organisation, the pandemic also had significant impacts on jobs and skills. This chapter provides an overview of the change in tasks and knowledge and skills needs. It also reports on changes in corporate training strategies, and attempts to shed light on how employer-provided training in 2020 compares to training before the pandemic.

4.1. Changes in core tasks

In 28% of companies, the pandemic led to changes in the core tasks of employees, but this mostly concerned a minority of staff (Figure 3). Change in core tasks was most common in companies active in the commerce and hospitality sectors or financial and other services. In construction and transport companies, the degree of change in staff's core tasks appears rather modest. Establishment size and employment dynamics appear to be related to the extent that core tasks changed. The larger the number of employees in a company, the more likely it is that core tasks for a minority or majority of employees changed. In companies where employment decreased in 2020, staff was more likely to be confronted with changes in core tasks than in companies with stable or increasing employment.

Figure 8. **Changes in core tasks due to COVID-19, by sector, EU-27**

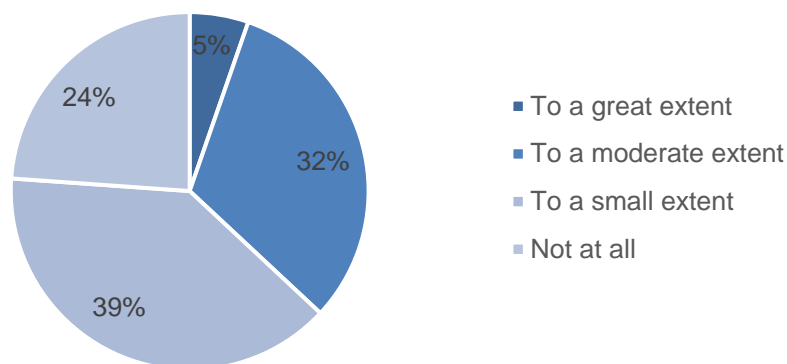


Source: Eurofound/Cedefop COVID-19 ECS follow-up survey (2020).

4.2. New knowledge and skill needs

Half a year after the pandemic hit, one in 20 companies reported extensive changes in knowledge and skills needs (Figure 9). About one in three experienced moderate change, while 39% reported small changes. One in four companies reported no change. In companies providing financial services, changes in skills needs were most pronounced, while most construction firms reported little change or no change at all.

Figure 9. **Change in knowledge and skills needs due to COVID-19, EU-27**

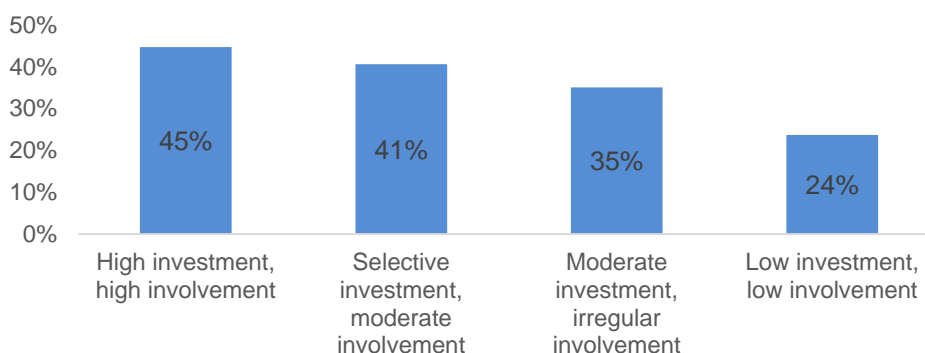


Source: Eurofound/Cedefop COVID-19 ECS follow-up survey (2020).

Companies where employment increased or decreased by 10% or more since early 2020 were less likely to report changing knowledge and skills needs than firms with little employment change or stable employment. It may be that substantial change in employment, either positive or negative, helped companies to match knowledge and skills needs to the staff they had available.

Change in knowledge and skills needs is most pronounced in companies with a high-investment, high-involvement approach to work organisation (Figure 10); 45% of them reported substantial or moderate change. Only 24% of companies with a low-investment, low-involvement strategy experienced changing knowledge and skills needs to this extent.

Figure 10. **Companies with substantial or moderate change in knowledge and skills needs due to COVID-19, by establishment type, EU-27**

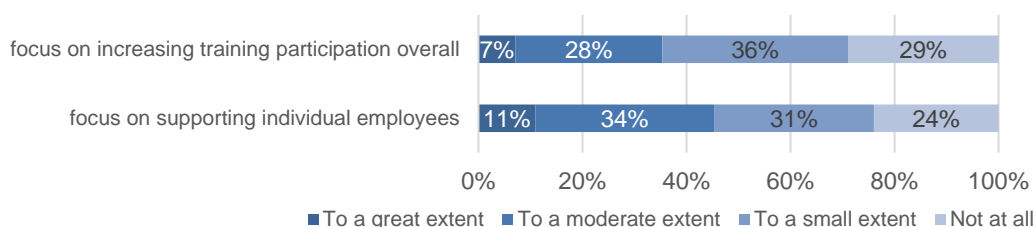


Source: Eurofound/Cedefop COVID-19 ECS follow-up survey (2020).

4.3. Adapting training strategies

Asked about the impact of the organisational changes induced by the pandemic on corporate training strategy, most companies reported a change of focus in 2020 (Figure 11); 45% reported that, to a great or moderate extent, they focused their training strategy more on supporting individual employees. Roughly one in three companies shifted their strategic focus to boost training participation overall.

Figure 11. **Extent of change in training strategy in response to COVID-19, EU-27**



Source: Eurofound/Cedefop COVID-19 ECS follow-up survey (2020).

The organisational consequences of COVID-19 have had less impact on training strategies in companies in industry and construction than in other sectors. Establishment size matters: while the share of small (10 to 49 employees) and mid-sized (50 to 249) companies adapting their training strategy is similar, larger companies were much more likely to change focus in response to the pandemic.

Establishments that are part of a larger company (subsidiaries) were more likely to change their training strategy in response to the organisational impact of the pandemic than headquarters or single-establishment companies. Two in three subsidiary enterprises shifted the focus of their training strategy towards supporting individual employees. It appears that the availability of tools, measures

and expertise at corporate level gives such companies a degree of flexibility or leeway in adopting training approaches to changing circumstances.

It is not surprising that the approach to work organisation is linked to the extent that companies adapt their training strategy to new circumstances. High-investment, high-involvement companies were twice as likely to shift the focus of their training strategy in response to the pandemic as companies where the approach can be characterised as low-investment, low-involvement.

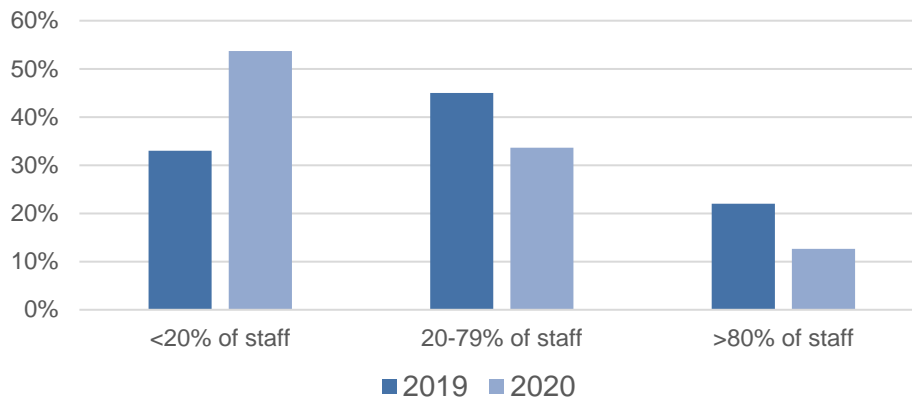
4.4. Employer-provided training in 2020

Changing jobs and new skills needs in the wake of the pandemic create upskilling or reskilling potential, and shifts in corporate training strategies can contribute to boosting employer-provided (organised or paid) training. Ultimately, however, how many employees finally participate in such training depends on many other factors, and in 2020 these directly link to the pandemic. The immediate disruption caused by the crisis made it necessary to interrupt, discontinue or even scrap programmes that had previously been predominantly classroom-based, or invest time and resources to make them suitable for online delivery. It can also be expected that, for many companies severely affected by the crisis and the movement restrictions and lockdowns that followed, the focus was on keeping business afloat, and not on staff training. Training linked to familiarising staff with new equipment is likely to have been lower, simply because investment was reduced.

It is not straightforward to compare training participation in companies pre-COVID in 2019 with that in 2020. For both years, companies were asked to indicate how many employees (excluding managers) had taken part in training organised or paid for by the employer. In the main 2019 European company survey, the training question related to 'training sessions on the establishment premises or at other locations during paid working time'. The 2020 online COVID-19 follow-up survey referred to 'online or offline training' organised or paid for by the employer.

Despite not being fully comparable, it appears that the share of workers participating in training has substantially declined (Figure 12). Most companies surveyed in 2019 provided training to 20-79% of their employees. In 2020, in most companies less than 20% of employees participated in employer-organised or paid training.

Figure 12. **Employer-organised or -paid training, 2019 and 2020**



NB: information not fully comparable due to different training questions in 2019 and 2020.

Source: Eurofound/Cedefop COVID-19 ECS follow-up survey (2020).

In 2020, companies in the service sectors provided (organised or paid for) most training of their staff. In over 40% of them, 20-79% of employees participated in off- or online training while one in five service-sector companies organised or paid for training for 80% or more of their employees. In the industry, construction, and commerce and hospitality sectors, companies were much less likely to provide such training to a substantial number of their employees. Large companies (250+ employees) had the most comprehensive approach to training; one in four provided training to 80% or more of employees and a similar share did so for 20-79% of staff.

Acronyms

BCP	business continuity plan
Cedefop	European Centre for the Development of Vocational Training
ECS	European company survey
Eurofound	European Foundation for the Improvement of Working and Living Conditions
VET	vocational education and training

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ADAPTING BUSINESS PRACTICES TO NEW REALITIES IN THE MIDDLE OF A CRISIS

First findings from the COVID-19 European company survey

This working paper presents the first findings of a survey on the impact of COVID-19 on workplace practices among employers in EU Member States. The survey was developed, organised and fielded at end-2020 by Eurofound and Cedefop. It explores the impact of the health crisis on companies in the EU-27 and sheds light on how employers reacted to it. As well as reporting on changes to core business activities, infrastructure and work organisation, the paper provides new insight into how the pandemic affected jobs and skills needs, and how employers reacted to such changes.



CEDEFOP

European Centre for the Development
of Vocational Training

Europe 123, Thessaloniki (Pylea), GREECE
Postal: Cedefop service post, 570 01 Themi, GREECE
Tel. +30 2310490111, Fax +30 2310490020
Email: info@cedefop.europa.eu

www.cedefop.europa.eu



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