



ERT

Expert Paper

The Digitally-Enabled Workforce of the Future

European Flex Work Today & Tomorrow

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Foreword

As leaders of some of Europe's largest businesses, ERT Members are at the forefront of many of the economic, societal, and technological forces that are shaping the continent's sustainable and inclusive future. One of these forces is the shift towards digitally-enabled flexible working, which has been greatly accelerated by the pandemic. With hybrid working now regarded as the 'new normal' in many companies, the challenge going forward is to ensure Europe makes the most of the transition both economically and socially, including putting in place the right policy measures and frameworks. The digital transformation of industry remains a critical factor for Europe's growth, and the region's greatest asset is its people and their diversity. The shift to 'flex work', therefore, also presents a significant opportunity for Europe as a whole, and the successful navigation of this transition will play a crucial role in our global competitiveness.

In this paper, we draw on the insights of companies led by ERT Members (hereinafter referred to as 'ERT Member companies') to chart a path forward for Europe in this new era of flex work. The report reviews ERT Member companies' recent real-world experience and presents examples of industry best-practices in areas including digital transformation, leadership, and cross-border working. It considers the potential long-term benefits and challenges of flex work for Europe, before setting out recommendations on how to fully realise the potential of a digitally-enabled flexible workforce.

Successfully addressing all of these points will require the close collaboration of businesses, governments, and trade unions. Businesses will lead the way in both seizing the benefits of flex work and mitigating its potential downsides, as well as in attracting and retaining the best talents for European industry. But policymakers at both the EU and Member State level will have an important role to play in eliminating barriers and filling regulatory gaps, from clarifying the legal conditions of remote work to removing unnecessary obstacles to cross-border working. Flexible working models and accelerated digital transformation require new skills from the workforce. Public and private investment in digital training and infrastructure will consequently be essential in enabling Europe's businesses and workers to fully benefit from the potential of flex work. Above all, ERT believes that industry must have a seat at the table in designing the new rules and frameworks that will govern the 21st century world of work.



Christian Klein

Chair of the ERT Committee on Digital Transformation

CEO and Member of the Executive Board of SAP SE

Executive summary

Key findings

- The accelerating pace of digitalisation, growing competition for talent, and above all the impact of the COVID-19 pandemic on working habits have brought remote work and workplace flexibility into the mainstream. However, there is still work to be done to ensure that wider society and companies fully seize the benefits of flex work.
- The pandemic highlighted a number of benefits for both employees and employers that arise when remote work is implemented more systematically. For example, employees have a greater ability to build their schedules around personal as well as professional needs, while employers benefit from more motivated staff and gain access to a wider talent pool.
- The shift to flex work also presents a significant opportunity for Europe as a whole. Not only will it help the continent attract and retain talent, but the benefits for employees and employers could over time translate into wider economic and societal impacts in areas including sustainability, economic growth, the cost of living, and inclusivity.
- However, ERT Member companies identify a number of associated challenges with the shift to flexible working. For example, employees are at risk of feeling disconnected from company culture, while inequality between remote and in-person workers could harm engagement levels. Meanwhile, employers face difficulties onboarding new employees as well as cybersecurity and privacy risks associated with workers handling sensitive information remotely.
- The shift to long-term flexible working also poses challenges for Europe at the macro level. Reduced commuting to offices will lower demand for public transport and the jobs that depend on this, while less time spent in offices will hurt businesses that service the needs of local office workers. Greater remote working could also result in some European jobs being 'outsourced' beyond the continent, although this could be counterbalanced by non-European firms hiring remote workers in Europe.
- The pandemic represented a major shift in the way ERT Member companies work. With rare exceptions, flex work was not the norm before COVID-19. However, ERT Member companies have adapted successfully to widespread flex work post-pandemic, a transition facilitated through previous experiments in remote work, with most companies having already expanded their use of remote and cloud-based solutions prior to the pandemic. The report provides a number of best practices and case studies based on the experience of ERT Member companies.
- While European industry has adjusted admirably to large-scale remote working, it is clear – as ERT Member companies themselves acknowledge – that companies will need to take further steps to adapt their workplaces to a hybrid world. This adaptation will need to focus on three key areas: digital transformation, rethinking how office space is used, and providing employees and leaders with the skills they need to operate effectively in a hybrid environment.



Policy recommendations

To ensure Europe is able to fully realise the potential of a digitally-enabled flexible workforce, ERT proposes the following recommendations for policymakers:

1

An updated legal framework for remote work

While the experiment in hybrid working has been largely successful, legal reforms at both the Member State and EU level are needed to clarify the conditions of remote working, including formal definitions of remote work and updated health and safety rules.

2

A new EU Framework on cross-border remote work

Given the ability in many cases to work remotely from abroad, and the growing number of 'digital nomads' within the EU, a new EU-wide framework is needed to clarify (and where possible align) employers' and employees' regulatory obligations across Member States in areas including tax, employment, insurance, and residency.

3

Investment in education and digital skills

To ensure employees are able to make the most of hybrid working, both Member States and the European Commission should accelerate their investments in education and digital skills. This should focus on a lifelong learning approach, so that workers are able to respond agilely to the constant evolution of the workplace.

4

Investment in digital infrastructure

Large-scale hybrid working in Europe will only work if the digital infrastructure is in place to sustain it. Both Member States and the Commission should create a regulatory environment that is conducive to private investment in digital infrastructure. Public money should also be used to connect the most remote areas to diminish rural-urban inequality and enable seamless virtual collaboration across the EU.

5

Boosting the role of industry in defining flex work rights and standards

In response to the growth of hybrid working, policymakers in Europe are exploring the need for new rights and obligations for employees and employers, such as formal rights to request flexible working or to 'switch off' after working hours. ERT believes industry must have a seat at the table in shaping these new rules, working closely with trade unions and policymakers to achieve mutually beneficial outcomes.

Introduction

Around the world, COVID-19 has accelerated the transition to digital and flexible workplaces, building on developments in technology, connectivity and working practices that started well before the pandemic and will continue to evolve. Our increasingly digital workplaces should be seen as the beginning of a new era in which new technologies will transform the way work is done, boosting productivity while giving employees flexibility in where, when, and how they work.

Although offices are gradually opening up after many months of government-mandated remote working, a return to spending five days a week in the workplace looks unlikely for many businesses and employees. While the right balance between in-person and remote working will differ by company, sector, and culture, a clear majority of employers and employees appears to be set on a 'hybrid' or 'flex' future in which companies and their staff get the best of both worlds by combining digitally-enabled remote working and in-person collaboration. According to the World Economic Forum, two-thirds of employees want to continue working remotely post-COVID, while a third would quit their jobs if not allowed to do so.¹

This is certainly true in Europe, where ERT Member companies have spent the past few years innovating when it comes to making the most of flex work across different employee segments (i.e. 'blue collar' and 'white collar' workers). But while European industry has been largely successful in adapting to this new reality, there is still work to be done to ensure that companies and wider society are able to fully seize the benefits from flex work, from accelerating the pace of digital transformation to rethinking how office space is used. The potential rewards could be significant, from improved work-life balance and employee engagement and satisfaction to greater productivity and staff retention.

The shift to flex work also presents a significant opportunity for Europe as a whole. In the global race for talent and investment, creating a digitally-enabled business environment that helps rather than hinders flex work will be a major competitive advantage for the continent. While the European Commission and several Member States have taken steps to clarify the conditions for flex work, too many obstacles and regulatory gaps remain, from unclear and inconsistent rules for cross-border work to inadequate digital infrastructure. Addressing

these could unlock substantial benefits, including lower emissions, higher growth, greater inclusion, and regional convergence, all while increasing legal certainty for employers.

Failure to grasp this opportunity would not only mean that Europe would miss out on these benefits for itself. It would also entail the continent lagging behind other parts of the world when it comes to embracing the future workplace. This is particularly true when it comes to the United States, which has the advantage of being a single country and having the more unified political and regulatory framework – making it easier for companies to both recruit employees from across state lines and attract talent from abroad.

In order to continue to attract international talent, the EU must become a global flex work leader. Getting there will require a collaborative effort from European industry, the EU, and its constituent national governments. Despite the challenging current backdrop of conflict, inflation, and an energy crisis, Europe must not let its attention slip. Our report seeks to provide a roadmap for both businesses and policymakers, combining the insights of ERT Member companies on best practice in flex work with their recommendations on necessary policy reforms.

¹ <https://www.weforum.org/agenda/2021/07/back-to-office-or-work-from-home-survey/>

The opportunity for Europe from a digitally-enabled flexible workforce

The ability for people to work remotely is not new. Prior to 2020, around 5% of the EU population worked regularly from home, a figure largely unchanged since 2009.² But the accelerating pace of digitalisation, growing competition for talent, and above all the impact of the COVID-19 pandemic on working habits have brought remote and flexible working into the mainstream.

Member companies of ERT – and European industry in general – adapted rapidly and successfully to the huge increase in remote working during the pandemic. Though necessitated in response to COVID-19 restrictions imposed by European national governments, this experiment in mass remote working highlighted the benefits that arise when employees are able to spend more of their time working away from the office.

The table below summarises the benefits from remote working referenced by ERT Member companies. Some of these are straightforward, such as the ability of employees to build their schedules around personal as well as professional needs, and the increased attractiveness of employers that offer

this flexibility. Others are perhaps less intuitive, including the potential benefits in diversity and access to talent when companies are able to recruit employees who live further away from the office or who have responsibilities that require them to spend at least part of their working week at home.

It is important to recognise that remote working and the associated benefits are generally much more accessible to so-called 'knowledge' or 'white-collar' workers than it is to manual or 'blue-collar' ones, due to requirements to handle physical equipment in many roles, such as in manufacturing, logistics, construction, and transport. This dynamic has led many observers to express concerns about a new 'digital divide' between (typically better-paid) office workers able to work from home several days a week, and other workers unable to. Yet while working remotely may not be an option for everyone, some pioneering employers in Europe (including ERT Member company Volvo Group) are successful trialling ways of giving manual workers greater flexibility, as the best practice section of this report illustrates.

Table 1: Indicative benefits for employees and employers from flexible working

Benefits for employees	Benefits for employers
<ul style="list-style-type: none"> + Better work-life balance + Greater flexibility + Increased levels of motivation + Higher wellbeing + Reduced commuting time 	<ul style="list-style-type: none"> + Greater productivity + More inclusivity and diversity + Access to expanded talent pool + Improved recruitment and retention + Greater international collaboration

As European companies shift to a hybrid working model in the post-pandemic era, these benefits will be retained and potentially magnified as the positives of remote working are complemented by the advantages of being in the office. Over time, these benefits for employees and employers could also have a wider societal impact within individual countries and at EU level, in areas including sustainability, economic growth, the cost of living and inclusivity.

From an environmental perspective, emissions

in Europe have and are likely to continue to be reduced by the fall in business-related travel during the pandemic. Moreover, while increased working from home does increase residential energy usage, this could well be offset by reduced consumption in offices and less time spent commuting to offices via cars, buses, trains and (in some cases) planes. And although business travel will of course still be necessary in certain instances, there is now a recognition that many international meetings can take place effectively in the virtual realm. These potential benefits are particularly salient in light of

² <https://ec.europa.eu/research-and-innovation/en/horizon-magazine/teleworking-here-stay-heres-what-it-means-future-work>

Europe's climate ambitions and the energy crisis currently afflicting the continent.

A long-term shift to hybrid working in Europe could also have a positive impact on growth, productivity, and inclusivity. With physical presence becoming less of a prerequisite for doing business, Europeans will be better placed to collaborate with colleagues abroad or export their services to customers in previously untapped markets. A more flexible model of working will enable employers to access untapped or underutilised talent, unlocking the potential of Europe's human capital while boosting inclusivity, diversity, and convergence within and across the EU Member States. Put more simply, living in Bremen will become less of a barrier to a software engineer securing a job in Berlin, just as being an accountant based in Budapest will not preclude working with a small business in Bilbao.

By making it easier for Europeans to live where they wish – rather than where their employers are

located – flexible working could also have positive long-term effects on the housing market, though this remains uncertain. For example, increased migration towards suburban and rural areas could reduce housing costs in city centres, as could the potential conversion of unused urban office space into new homes. This effect could however be weakened or outweighed by the arrival of so-called 'digital nomads' from abroad.

Despite the clear opportunities for Europe from flexible working, it is important to also acknowledge the potential downsides. ERT Member companies highlight several challenges that have arisen in the shift to flexible working, ranging from practical difficulties in onboarding new employees to the cybersecurity and privacy risks associated with workers logging in and handling sensitive information remotely. An indicative list of challenges referenced by ERT Member companies, based on their recent and current experiences, is captured in the table below.

Table 2: Challenges associated with flexible working

Challenges for employees	Challenges for employers
<ul style="list-style-type: none"> - Employees feeling disconnected from company culture - Mental health challenges and isolation - Less effective team building and social bonding - Unequal participation between remote and in-person workers - Inequality between staff able to work remotely and those unable to - Inability to 'switch off' after work 	<ul style="list-style-type: none"> - Difficulties onboarding and integrating new employees - Reduced collaboration and innovation - Challenge of leadership in a hybrid environment - Cybersecurity and privacy risks - Difficulties enforcing health and safety rules for remote workers - Regulatory uncertainties and restrictions surrounding cross-border work

The shift to long-term flexible working will unfortunately produce 'losers' as well as 'winners' in Europe as elsewhere. For example, reduced commuting to offices will in turn lower demand for public transport, putting the jobs of those that service and operate that transport at risk. Less time spent in offices will also hurt businesses that service the needs of local office workers, with some (but not all) of this spending being redistributed closer to employees' homes. Finally, greater remote working could result in some jobs being outsourced away from Europe, although this remains uncertain and could be counterbalanced by non-European firms hiring remote workers in Europe. Currently, there are few studies available that evaluate the long-

term effects of remote work, but whatever the long-term impact, governments should actively seek to support and retrain those negatively affected by the shift to flex work.

ERT Member companies' experience of the pandemic

The pandemic represented a major shift in the way ERT Member companies work. With rare exceptions, such as a software company with a very high percentage of knowledge workers, flex work was not the norm before the pandemic. However, since then, most companies have adapted successfully to widespread flex work. This was facilitated by

previous experiments with remote work as most companies had already begun expanding their use of remote and cloud-based solutions prior to the pandemic.

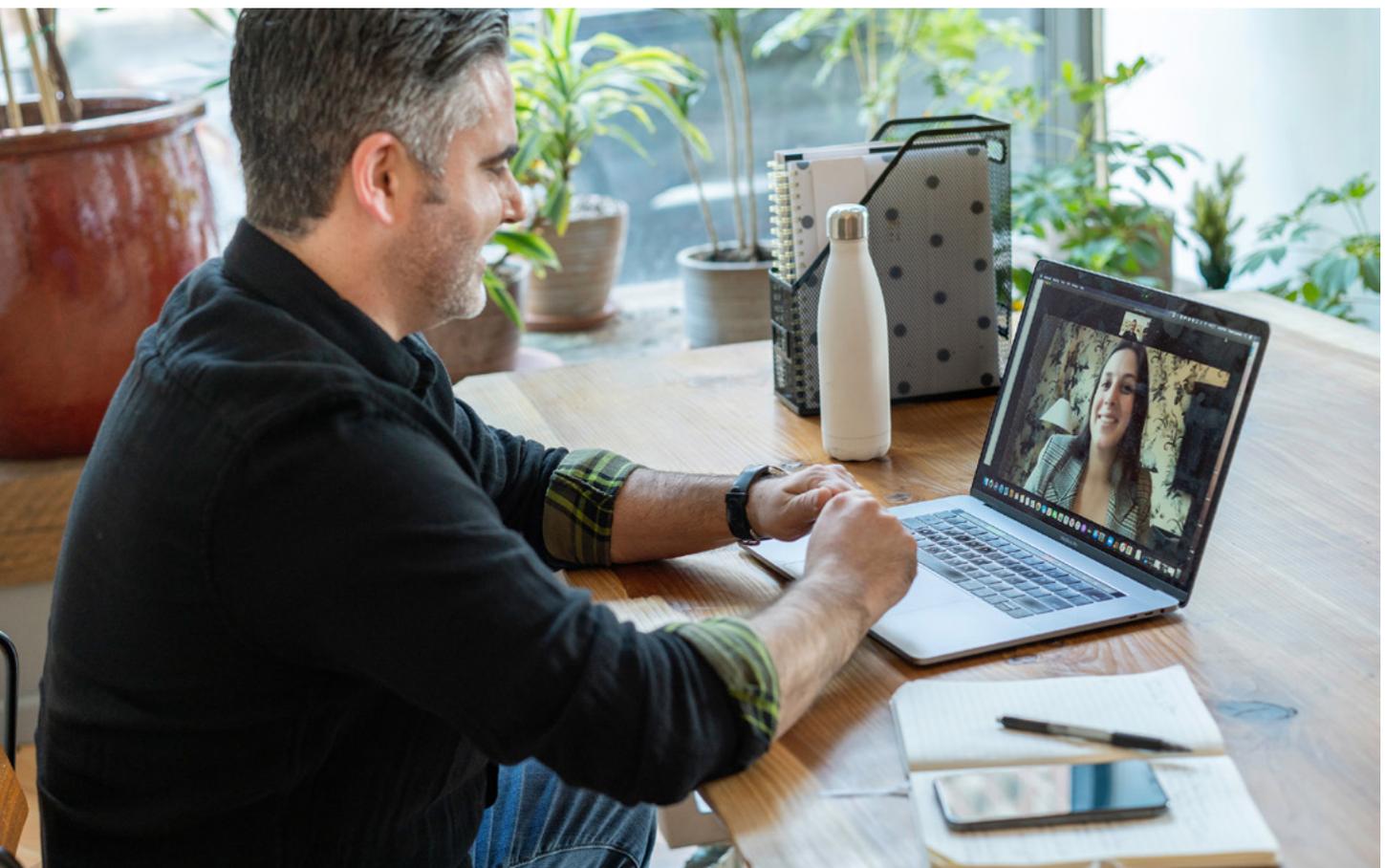
Insights provided by ERT Member companies on their recent experience of hybrid working can be summarised as follows:

- **Flex work is the new normal.** Most companies prefer a hybrid work environment, with a combination of remote work and physical presence in the office. Internal polls of employees conducted by several ERT Member companies revealed overwhelming demand for long-term hybrid working. However, most companies also believe physical presence is important to foster a collaborative and distinct culture at the office.
- **Flexibility for most companies goes further than just remote working.** It also entails flexibility regarding when employees work, and the ability to work from places besides home or the office (e.g. cross-border).
- **It is difficult to provide on-site workers with the same level of flexibility as knowledge workers.** With the nature of their job typically requiring them to be on site, they cannot benefit in the same way from remote work. Some companies are still looking for ways to give these employees more flexibility, through

greater control over shift selection and planning, for example.

- **The role of team leaders is crucial when it comes to making the most of flexibility, as no one size fits all.** The role of leaders and managers will have to evolve, as leading and managing hybrid teams is more challenging. Trust is particularly important when it comes to effective remote working.
- **The local trumps the global.** Almost all companies refer to the local dimension (such as the location and local preferences of employees) when thinking about how they organise working practices. Local norms and ideas around remote work are therefore a major factor in determining the exact arrangements pursued by companies or teams within companies.
- **However, company-wide guidelines can help ensure a degree of consistency.** Several of the companies surveyed had issued company-wide guidance/best practices/toolboxes on making the most of hybrid working, touching on issues including collaboration, management, and effective use of workspaces.

While the rapid shift to hybrid working has been a major success, the challenges raised by ERT Member companies demonstrate that more needs to be done to adapt to a hybrid world. The next section explores how.



Adapting to a hybrid world

ERT Member companies believe this adaptation should focus on three key areas: digital transformation, rethinking how office space is used, and providing employees and leaders with the skills they need to operate effectively in a hybrid environment. Examples of specific initiatives in these areas being undertaken by ERT Member companies are provided in the next section.

Digital transformation

While the sudden and rapid shift to mass remote working in Europe in the first weeks of the pandemic placed a strain on many firms' digital capabilities, ERT Member companies no longer see overall digital readiness as an issue when it comes to accommodating widespread hybrid working. Indeed, even prior to the pandemic, many companies had been investing heavily in the cloud and digital transformation, meaning much of the groundwork had been laid by the time it struck.

Instead, what is needed are digital tools that can maximise the benefits of hybrid working and simultaneously address potential challenges. Examples include technology that allows for more equal participation between in-person and remote colleagues during meetings, apps that allow employees to monitor office capacity and book workstations, and software solutions that facilitate employee onboarding, engagement and learning in a hybrid context.

Rethinking the office

Under a hybrid model, the average employee is likely to spend approximately 40%-60% of their time in the office each week, compared to pre-pandemic working patterns. This will require companies to rethink how they organise and make use of the physical space at their disposal, while creating new opportunities for collaboration, team building and creativity. Employers may want to segment workplaces into different areas based on the activity being undertaken, for example by reducing the number of workstations and converting the freed-up space into new areas for collaboration, brainstorming and socialising. Some of the necessary changes will be more straightforward, such as investing in additional videoconferencing booths and the latest videoconferencing equipment to reflect a workplace where most meetings take place at least partly online.

Workforce training and support

Employees will need to pick up new skills to successfully navigate the hybrid workplace, and employers have a crucial role in enabling and supporting this. Examples of such support include disseminating best practice on collaboration in a virtual environment, providing training in the digital tools commonly used in the hybrid workplace, and mental health advice for employees struggling with reduced interaction with colleagues.

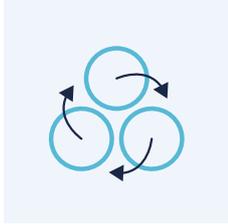
Managers and corporate leaders in particular will need additional support and training, given the challenges inherent in managing staff in a hybrid or remote context – this will often be as much about emotional and social intelligence as technical know-how. In an increasingly digital working world, attributes such as trust, transparency, flexibility, and empathy are essential when it comes to managing employees.

Above all, leadership in the hybrid era will involve leaders putting trust in their teams to get work done independently and identify the working arrangements that work best for them. Leaders should work closely with their teams to shape the new normal in terms of working practices, listening closely and proactively to their ideas and expectations. As one business leader put it, “leadership is based on trust, not control. It is about giving people the greatest possible trust so that they are able to take responsibility for completing tasks and making decisions”.

The accelerating shift to hybrid models of work in Europe will also increase demand for the skilled IT professionals – from programmers and data scientists to software engineers and web developers – needed to design and implement digital transformation within companies. This will require action at both the national and EU level to ensure companies have access to this talent; the Commission's target of having 20 million ICT specialists employed in the EU by 2030 provides a roadmap for getting there. In addition, employers should play their part by providing upskilling and reskilling opportunities to employees impacted or disadvantaged by the digitalisation of the workplace.

Best practices of ERT Member companies

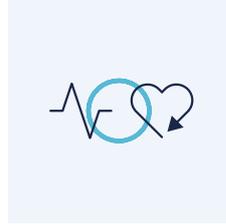
The below table outlines best practices shared by ERT Member companies that have wider applicability for companies across Europe (and beyond) grappling with the challenges and opportunities posed by hybrid work.



Autonomous teams

Volvo Group has found a way of offering more flexibility to industrial workers by establishing autonomous teams. The aim of this exercise is to develop self-managing teams able to enjoy higher levels of flexibility within the current employment framework.

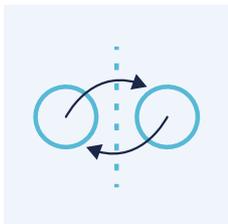
This consists of developing competence flexibility, whereby multiple team members share expertise relevant to specific tasks, and enabling the remote operation of machinery. This gives employees more autonomy, flexibility, decision-making power and responsibility, and allows for more regular job rotations and more flexible deployment of staff.



Health support

The majority of ERT Member companies provide some form of mental and physical health support to their employees, which is of particular importance in a hybrid environment where the risk of isolation is higher.

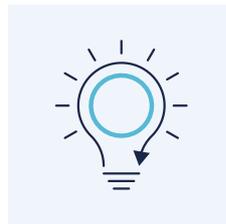
For example, companies in retail (Sonae), technology (SAP) and consulting (Capgemini) provide education and training in mental and physical health to ensure the wellbeing of employees, while a company in the energy sector (TotalEnergies) gives its employees access to a support service staffed by psychologists trained in crisis response that provide advice tailored to each employee's issues and concerns.



Cross-border working

As this report illustrates, enabling cross-border working while ensuring compliance with all regulatory obligations is a priority for ERT Member companies.

Siemens recently launched a new cross-border pilot project known as 'International Mobile Work'. This allows employees in Germany to work remotely from Austria, France, the Netherlands, Greece, Italy, Croatia or Czechia for a maximum of 30 days in a rolling 12-month period. The company provides an assessment process to help employees identify compliance risks in advance, for example around taxation and social security. Based on the results of the pilot, Siemens will explore continuing the programme and potentially extending it to other countries.

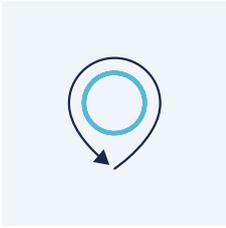


Spaces for creative collaboration

ERT Member companies see the future office as space for connectedness, creative collaboration, and networking.

BASF is refurbishing a number of office spaces and creating spaces for creative collaboration, while SAP is creating office designs tailored for creativity, collaboration, community and focused work, enabling employees to find the right space for every task.

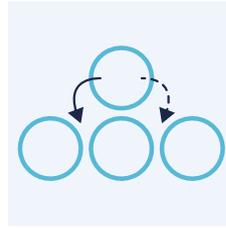
Capgemini differentiates by location purpose and has dedicated office zones for co-creation, collaboration and meetings, as well as service delivery hubs with customised equipment for employees.



Facilitating remote work

BASF quickly realised that a one-size-fits-all approach would not work during the pandemic, given the huge variety of employee groups, job families and roles. The company designed a workshop template to enable teams and their leaders to identify their optimal working practices across a number of dimensions and document this accordingly in a team charter. The charter is regularly reviewed and adjusted if necessary on the basis of subsequent learnings. The workshop template was successfully applied in various parts of the organisation through a ‘train-the-trainer’ approach.

At Siemens, the #NewWork initiative provides employees with the information and tools they need to make the most of flex work. These include an easily accessible #NewWork Portal and a comprehensive toolbox to support staff with regards to collaboration, digital readiness, working methods, wellbeing and more. Through #NewWork, teams are able to identify ‘pain points’, collectively define a shared response and vision, and develop tools and methods for resolving issues and generating impact.



Leadership in a hybrid era

Several ERT Member companies are leading the way when it comes to training leaders for success in a hybrid era.

At BASF, the #liveitleadit event series brings together leaders from across the company’s global offices – as well as external speakers – to discuss critical issues such as digital skills. While initially restricted to ‘traditional’ leaders, interest in the programme has led to it being opened up to a wider set of colleagues. BASF also provides learning resources for virtual leadership and has carried out a number of thematic campaigns to disseminate best-practice, such as ‘Making Remote Work, Work!’.

At Capgemini, leadership ‘rituals’ enable continued social bonding in a hybrid working environment, from office days, peer coaching sessions and content innovation groups to quiz nights and buddying systems. In ‘Connected Manager’ trainings, mid-management employees in Germany are encouraged to lead, engage with and empower their employees in the new hybrid working world.



Software for flex work

SAP is leveraging its own cloud solutions to support its employees with flex work. Their ‘Human Experience Management’ (HXM) solution serves as the foundation for managing each employee’s journey, regardless of location. By equipping over 100,000 SAP employees based around the globe with cutting-edge digital tools, the Flex Connect App enables them to plan their hybrid work schedules, be informed when members of their teams are at the office, and book on-site spaces for collaboration as needed.

Flex work – The regulatory context

The increase in remote and hybrid working, during and after the pandemic, has led to a debate among policymakers, businesses and civil society on the potential need for policy and legislative measures in response. While laws applicable to remote working existed prior to the pandemic, the sharp increase in the share of work carried out remotely has highlighted several policy and regulatory challenges, as demonstrated by the experience of ERT Member companies.

The pre-pandemic picture

Prior to 2020, most EU Member States already had some – even if minimal – form of legislation relevant to remote and flexible work. Where formal legislation is absent, remote working is typically governed via collective bargaining or social dialogue arrangements. In many Member States, a mixture of statutory legislation and collective bargaining sets the context for remote working. Existing legislation touches on a number of issues, including equality in working conditions and non-discrimination between remote and on-site workers, health and safety, rights to disconnect outside of working hours, and protections against digital surveillance.

At the EU level, there are no hard legal measures regulating remote work. The most significant EU regulation addressing remote work is the 2002 EU Framework Agreement on Telework – an autonomous agreement between European social partners, consisting of trade unions and employer associations.³ The framework, which is non-binding, encourages the social partners to implement a set of principles at the national, sectoral and business level, according to the "procedures and practices specific to each Member State". These principles include the voluntary and reversible nature of remote work, the protection of data used and processed by remote workers, the right to privacy of remote workers, and employer responsibilities vis-à-vis remote workers' equipment and health and safety.

Flexible working arrangements and remote work are also implicitly mentioned in a number of directives, including the EU Working Time Directive (2003/88), the Framework Directive on Safety and Health at Work (89/391/EEC), the Transparent and Predictable Working Conditions Directive (2019/1152), the Work-Life Balance Directive (2019/1158) and the General Data Protection Regulation (2016/679).

The post-pandemic picture

COVID-19 has, unsurprisingly, fuelled debates about the potential need for new regulation in response to increased remote working. Most EU Member States are considering reforms and some have already implemented changes. These have included updating legal definitions of remote work, amending occupational health and safety provisions, and introducing new rights to flexible working, 'disconnecting' and paid allowances for remote working costs and equipment.

At the EU level, although no recent legislative measures targeting remote and hybrid working have been passed, the policy debate is intensifying. Even prior to the pandemic, in 2017 the EU Parliament, Commission and Council announced the European Pillar of Social Rights – a set of twenty aspirations designed to bring about a "strong social Europe that is full of opportunity". These include "secure and adaptable employment", "work-life balance" and a "healthy, safe and well-adapted work environment".

In June 2022, EU social partners agreed to negotiate a new legally-binding update to the 2002 Autonomous Agreement on Telework to be implemented as a Directive.⁴ This was followed in July 2022 by a European Parliament resolution on "protecting mental health in the digital workspace", which called for an EU Mental Health Strategy and a Directive "on minimum standards and conditions to ensure all workers the effective right to disconnect, and to regulate the use of existing and new digital tools".⁵ It remains unclear how these discussions will translate into effective policy outcomes, although the European Commission recently confirmed that it is exploring the need for fresh legislation.

³ <https://www.etuc.org/en/framework-agreement-telework>

⁴ <https://www.etuc.org/en/pressrelease/european-unions-and-employers-sign-historic-deal>

⁵ <https://www.europarl.europa.eu/news/en/press-room/20220701IPR34366/protecting-mental-health-in-the-digital-workspace>

Recommendations

As the above discussion demonstrates, there is growing appetite in Europe for policy and legislative measures to respond to the rise of hybrid work. ERT acknowledges in principle the need for regulatory reforms to address the legal uncertainties raised by hybrid working and establish the fundamental conditions needed to enable a seamless transition to this new working world.

At the same time, we believe it is crucial that policymakers avoid intervening in ways that undermine this newfound flexibility by using legislation to determine when, where and how people can work. While increased remote working undoubtedly raises challenges that need to be addressed, businesses themselves are leading the way in developing solutions, as the best practices highlighted in this report show.

Where policymakers decide that intervention is nonetheless required, this should take place in close consultation with employers. A commitment to aligning the rights of remote and in-person workers should underpin these efforts to avoid creating artificial incentives for companies to hire one or the other type of employee.

To ensure Europe is able to fully realise the potential of a digitally-enabled flexible workforce, ERT proposes the following recommendations for policymakers:

1. **An updated legal framework for remote work.** While the experiment in hybrid working has been largely successful, legal reforms at both the Member State and EU level are needed to clarify the conditions of remote working, including formal definitions of remote work and updated health and safety rules.
2. **A new EU Framework on cross-border remote work.** Given the ability in many cases to work remotely from abroad and the growing number of 'digital nomads' within the EU, a new EU-wide framework is needed to clarify (and where possible align) employers and employees' regulatory obligations across Member States in areas including tax, employment, insurance and residency.
3. **Investment in education and digital skills.** To ensure employees are able to make the most of the hybrid working environment, both Member States and the Commission should accelerate their investments in education and

digital skills. This should focus on a lifelong learning approach, so that workers are able to respond agilely to the constant evolution of the workplace.

4. **Investment in digital infrastructure.** Large-scale hybrid working in Europe will only work if the digital infrastructure is in place to sustain it. Both Member States and the Commission should create a regulatory environment that is conducive to private investment in digital infrastructure. Public money should be used to connect the most remote areas in order to diminish rural-urban inequality while enabling seamless virtual collaboration across the entire EU.
5. **Boosting the role of industry in defining flex work rights and standards.** In response to the growth of hybrid working, policymakers in Europe are exploring the need for new rights and obligations for employees and employers, such as formal rights to request flexible working or to switch off after working hours. ERT believes industry must have a seat at the table in shaping these new rules, working closely with trade unions and policymakers to achieve mutually beneficial outcomes for employees and employers.

Conclusion

Facing multiple crises on their doorstep – from war to a cost-of-living crisis – it would be understandable if European policymakers were to neglect the issue of Europe's long-term working practices. Yet putting in place the conditions for a digitally-enabled flexible workforce, while perhaps less headline-grabbing, will be instrumental in ensuring Europe's future growth, competitiveness, and prosperity.

Creating those conditions will entail reforms across a range of different policy areas, requiring policymakers to work together alongside industry leaders in a holistic approach. With remote working much more common than it used to be, it is essential that legal frameworks reflect this new reality, including ensuring that workers continue to receive an adequate level of social protection. That applies above all to cross-border working, where existing rules were designed before the rise of so-called 'digital nomads'. At the same time, governments must equip citizens and businesses with the digital skills and infrastructure need to make a success of this once-in-a-generation transition in working practices.

A successful transition to a flexible 'new normal', already beneficial for workers and businesses themselves, could also be part of the solution to several of the challenges Europe faces today, for instance by reducing energy consumption and increasing the continent's resilience to external shocks. Above all, getting flex work right would reinforce Europe's commitment to embodying its values through its actions, from promoting the 'European way of life' to achieving the full potential of the European social model. ERT stands ready to work with policymakers across Europe to bring about this inspiring vision of the future.



The European Round Table for Industry (ERT) is a forum that brings together around 60 Chief Executives and Chairmen of major multinational companies of European parentage, covering a wide range of industrial and technological sectors. ERT strives for a strong, open and competitive Europe as a driver for inclusive growth and sustainable prosperity. Companies of ERT Members are situated throughout Europe, with combined revenues exceeding €2 trillion, providing around 5 million direct jobs worldwide - of which half are in Europe - and sustaining millions of indirect jobs. They invest more than €60 billion annually in R&D, largely in Europe.

This Expert Paper has been prepared by the Task Force on the Digitally Enabled Workforce of the Future of the European Round Table for Industry.

More info and previous papers on: <https://ert.eu/focus-areas/digital-economy/> and <https://ert.eu/focus-areas/skills-and-employment/>

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