WORKING PAPER

Working conditions and sustainable work

International businesses: Scale, policy and workplace practices – Literature review

[Tools of trade: Supporting export businesses to improve their workplace practices]

Authors: Federica De Blasio and Matteo Avogaro (Eurofound)

Research Manager: Irene Mandl

Peer Reviewers: Natasha Evers (Trinity College Dublin), Alessia Pisoni (University of Insubria) and Rubina Romanello (University of Udine)

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European Foundation for the Improvement of Living and Working Conditions

Telephone: (+353 1) 204 31 00

Email: information@eurofound.europa.eu

Web: www.eurofound.europa.eu

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Introduction

Globalisation is one of the four commonly cited 'megatrends' influencing the economy and labour market in Europe and other world regions. Accordingly, companies are engaging in international activities to ensure competitiveness and growth.

Policymakers at EU and Member State level are supporting this by creating favourable framework conditions (such as enhancing the European Single Market or trade agreements with third countries) and providing direct assistance to business to start, maintain or increase their international activities (for example, financial support, networking support or advice).

To contribute to well-informed policy making, a relatively large body of research has explored issues like driving and hindering factors for internationalisation, companies' pathways for going international, challenges they experience when doing business abroad and their support needs. Less well researched, however, are the Human Resource Management (HRM) practices applied in internationally active businesses. Accordingly, rather limited information is available to discuss whether or not HRM has specific features in international compared to nationally-oriented companies. This would be important to know to derive, on the one hand, recommendations for effective HRM for this type of business, and on the other hand, to analyse whether there are specific support needs for HRM in international companies, considering that HRM practices and business performance have been found to be linked (Eurofound and Cedefop, 2020).

This working paper is part of a Eurofound project specifically investigating HRM/workplace practices in export-oriented establishments. It provides a brief overview of the scale and scope of internationalisation of European businesses – including the first indications of the potential impact of the COVID-19 crisis -, illustrates public support provided to companies for their international activities as captured in Eurofound's European Restructuring Monitor[1], discusses some policy issues emerging related to HRM and internationalisation, and summarises previous research related to HRM/workplace practices in internationally active businesses. The latter is intentionally limited to those elements covered by the European Company Survey 2019[2] (ECS2019) jointly conducted by Eurofound and Cedefop as another strand of this research project consisted of a statistical analysis of the ECS2019 (Eurofound, 2021a). These two strands are supplemented by illustrative qualitative case studies (Eurofound, 2021b) to learn more details about the characteristics of workplace practices in internationally active businesses and the thereof resulting support needs. All material collected in the various strands of this project is summarised in a policy brief, highlighting the main findings and policy pointers (Eurofound, 2021c).

[1] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument
[2] https://www.eurofound.europa.eu/surveys/2019/european-company-survey-2019

Internationalisation of European businesses

Scale and scope of internationalisation activities in Europe

The latest comprehensive data about internationalisation of businesses in Europe can be found in the European Commission's Flash Eurobarometer published in 2015 and in a study conducted by EIM Business & Policy Research in 2010 (Eurofound, 2018). In both pieces of research, object of analysis are European small and medium-sized enterprises (SMEs), that is, enterprises employing fewer than 250 people. According to the Eurobarometer survey, around 52% of SMEs were involved in international business, with imports and exports being the most common activities, concerning 39% and 33% of European SMEs respectively. Moreover, 16% of SMEs used a subcontractor based abroad, while 13% worked as a subcontractor for a company based abroad; lower proportions of SMEs worked with partners based abroad for R&D (8%) or invested in a company based abroad (4%) (European Commission, 2015b).

Considering only export activities, the sectors with the highest proportion of exporting SMEs are mining (58%), manufacturing (56%), wholesale trade (54%), research (54%), sales of motor vehicles (53%), and transport and communication (39%). Other relevant findings from these studies are that the share of SMEs involved in international activities is negatively correlated with the size of the country of origin of the firm, but positively correlated with firm's size.

More recent data, though less comprehensive, on foreign sourcing of business functions is provided by Eurostat. These numbers refer to enterprises of all sizes and are reported only for 16 European countries: Austria, Bulgaria, Denmark, Finland, Germany, Hungary, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovakia, Sweden, and Norway. In 2018, the share of enterprises sourcing any function non-domestically was, by sector: 7.7% in mining, 5.3% in ICT, 4.8% in professional, scientific, and technical activities, 4.6% in manufacturing, 4.2% in industry (except construction), 3.2% in wholesale and retail trade/motorcycles repair, and 1.4% in construction. It is also interesting to see that the majority of the internationally sourcing firms do so inside the EU, or at least inside Europe, with the share of enterprises sourcing outside the continent ranging from 0% for Austria and Lithuania, to 6% for Latvia and 11% for Portugal (Source: Eurostat [iss_18sobfec] and Eurostat [iss_18sodest]).

Additional recent figures show that SMEs, in particular micro enterprises employing fewer than 10 staff, are in fact the main EU enterprises involved in imports and exports of goods, accounting for 99% of the number of importing enterprises and 98% of exporting enterprises in 2018. However, the largest flows of imports and exports are generated by large enterprises. In 2018, in intra-EU trade, large enterprises accounted for 51.4 % of the value of imports and 59% of the value of exports, while in extra-EU trade, large enterprises accounted for 58.9% of the value of imports and 67.9% of the value of exports (Eurostat, 2020).

In 2018, most of the enterprises involved in international trade of goods operated in the wholesale trade and manufacturing sectors. In particular, in intra-EU trade, among the importing enterprises, 40.5% operated in the wholesale trade sector – accounting for 49.5% of the value of intra-EU imports – and 15.8% in the manufacturing sector– accounting for 41.8% of the value of intra-EU imports; among the exporting enterprises, 42.6% operated in the wholesale trade sector –

accounting for 26.4% of the value of intra-EU imports – and 28.9% in the manufacturing sector – accounting for 65.6% of the value of intra-EU imports. Considering extra-EU trade, among the importing enterprises, 45.2% operated in the wholesale trade sector – accounting for 36.8% of the value of extra-EU imports – and 22.9% in the manufacturing sector – accounting for 47.3% of the value of extra-EU imports; among the exporting enterprises, 43% operated in the wholesale trade sector – accounting for 17.4% of the value of extra-EU exports – and 33.7% in the manufacturing sector – accounting for 73.5% of the value of extra-EU exports (Source: Eurostat [ext_tec01]).

A policy note from the OECD provides comprehensive data on Multinational Enterprises (MNEs), understood as firms 'that have established affiliates or subsidiaries in other countries' in order to optimise their production processes, and have focused on the activity of 'foreign affiliates' – 'companies that are foreign-owned by MNEs abroad'. According to the OECD, foreign affiliates differ from domestic companies as they invest more in research and development and are generally 'larger, more capital intensive, more (labour) productive', but also 'more oriented to international markets' (OECD, 2018).

When considering enterprises in EU Member States, latest available data from the OECD's 'Activity of Multinational Enterprises Database' (OECD, 2017) show that in 2016 countries hosting the highest shares of foreign affiliates located in Europe[3] were Germany (14.3%), France (13.1%), and the United Kingdom (10.5%). However, in proportion to the total number of enterprises operating in each country, Estonia and Luxembourg show impressive shares of foreign affiliates –24.1% and 29.7% respectively.

In general, foreign affiliates were only 1.1% of the overall European enterprises, that is the total of enterprises located on the continent regardless of the origin of who controls the firm. The highest presence of foreign affiliates is in the sectors of mining (5.4% of the enterprises operating in the sector), electricity supply (4.5%), and financial activities (3.2%). However, among all EU foreign affiliates, the highest shares operate within the wholesale trade and the manufacturing sectors – respectively 29.5% and 15.6%. Moreover, foreign affiliates employed about 15.2% of total EU employees and yielded around 24.8% of the overall EU value added at factor cost, peaking at 38.1% and 36.3% respectively in the mining and in the manufacturing sectors (OECD, 2017).

The impact of COVID-19 on international business activities

The COVID-19 pandemic constitutes a major challenge for businesses, including those involved in international activities. At the beginning of the pandemic, the World Trade Organization forecasted a decline in world trade between 13% and 32% in 2020, much higher than the expected fall in world GDP (WTO, 2020). In March 2020, UNCTAD forecasted a significant reduction in FDI due to multinational enterprises (MNEs) delaying capital expenditure as response to the demand shock, but also to the production or supply chain disruptions. Indeed, according to UNCTAD, the COVID-19 pandemic 'outbreak will potentially accelerate existing trends of decoupling (the loosening of GVC ties) and reshoring driven by the desire on the part of MNEs to make supply chains more resilient' (UNCTAD, 2020a). In May 2020, also the OECD depicted a negative picture, forecasting a drop of more than 30% in FDI, coming from a reduction in reinvested earnings and the suspension of

[3] Data for Bulgaria, Croatia, Cyprus, Lithuania, Malta, and Romania are not available.

mergers and acquisitions and greenfield investments by companies. In fact, data from October 2020 have registered significant drops in FDI flows which plummeted by 49% with respect to 2019 in the first half of 2020 (UNCTAD, 2020b).

In April 2020, Suborna (2020) forecasted a decline in international trade after the pandemic outbreak, mainly determined by a decrease in demand for non-essential goods – the majority of world production and trade – while demand for essential commodities would increase, encouraging countries to focus on domestic production of essential goods to reduce dependency on foreign producers. According to the author's forecasts, not only the levels of imports and exports would change, but also the shape of international trade relations could be altered by the pandemic. The article provided 'an indicative overview on the observed and future likely implications' of the COVID-19 pandemic on international trade. Figures are strictly related to the early Chinese pandemic explosion, showing that a 2% reduction in Chinese exports in early February 2020, due to importers' restrictive measures, appears to have had a significant impact on partner countries' outputs and hence on their own export activities.

Vidya and Prabheesh (2020) measured the trade interconnectedness among countries before and after the COVID-19 outbreak using the methodologies of Trade Network Analysis and Artificial Neural Networks. They found a drastic reduction in trade interconnectedness, connectivity, and density among countries after the COVID-19 outbreak. Yet, although there is a visible change in the structure of trade networks, China's relative position has not changed drastically even if it has been the first country affected by the pandemic.

Measures and responses to the crisis

The way countries and economic actors reacted to the outbreak of COVID-19 pandemic may have had itself an impact on international business. According to Irwin (2020), for example, globalisation has been further harmed by measures put in place to contrast the health emergency. In fact, governments provided for inadequate domestic production of medical equipment by imposing export bans, but also by breaking supply chain dependency on foreign trade to improve domestic production. The author warns against the damaging effects of protectionist policies. Legrain (2020) adds that the fear of contagion exacerbated business and governments' practices of closure towards other countries, with a harmful impact on international trade and movement of people.

Firm criticism towards governments' restrictive trade measures taken during the COVID-19 pandemic are expressed by two OECD contributions as well. It is argued that GVC disruption during the pandemic cannot be attributed to weaknesses of the international and dispersed system of production, but rather to 'an unprecedented demand shock' in essential goods (in particular, medical devices), which would have been worsened in absence of global supply chains (OECD, 2020a). Gereffi (2020) contributes to this topic by considering supply chain shortages of personal protective equipment (PPE) occurred in US at early stages of the COVID-19 breakthrough to warn against future similar supply chains' snapping. Instead of reshoring, they can be prevented by sacrificing a bit of efficiency in favour of redundancy – that is, over capacity to guarantee the well-functioning of the supply chain in case of shocks.

In this respect, export bans should be avoided in order to preserve international trade, 'both to ensure the supply of essential products and to send a signal of confidence for the global economy'

(OECD, 2020b). The role of governments, instead, should be to maintain the operations of essential GVCs during the crisis, to promote greater transparency in the value chain, and to create a regulatory environment aimed at mitigating policy-related risks. In turn, firms should improve their risk evaluation and management strategies, in order to develop agility at the firm level, and robustness and resilience at the GVC level (OECD, 2020a).

While aforementioned works alert against trade restrictive measures, in fact, protectionist decisions undertaken by governments seem not to be dictated by deglobalisation intentions, but rather by health concerns. Evidence to this fact is provided by Bickley et al (2020), who find that more globalised countries experienced a longer delay in implementing international travel restriction measures with respect to the date of the first confirmed COVID-19 case.

Other studies focus on enterprises' and investors' response to the pandemic. A thorough overview on SMEs' behaviour is provided by the ITC COVID-19 Business Impact Survey conducted by the International Trade Centre. The survey responses revealed that micro and small firms have been more affected by the COVID-19 crisis than large companies. For this reason, small enterprises were more likely to transform their businesses to adapt to the crisis, or alternatively to adopt 'retreating strategies', that is to decrease their assets. This latter approach appears to be more commonly adopted by firms addressing only the domestic market, rather than by ones which also export (ITC, 2020).

Box 1: Reshoring as response to COVID-19

Reshoring – or 'backshoring' – is defined as 'the decision to relocate manufacturing activities back to the home country of the parent company' (Kinkel, 2020). Reshoring is among the possible trends resulting from the pandemic, after the mitigation of the current crisis (Elia et al, 2021). This process would make GVCs shorter and less fragmented, letting them become 'Domestic Value Chains'. The role of technology would be essential to automatise operations in order to cut labour costs in the domestic country.

A recent study from Eurofound (2019) suggests that this phenomenon had been relatively contained before the COVID-19 pandemic. Indicative of this fact is the ratio between the number of backshoring operations and the total number of offshoring operations in the same period, implemented by enterprises with headquarters in the 'home country'. Dachs and Zanker (2014) estimated that this ratio was significantly lower than 1:3 among 13 EU countries in the period 2010-2012 for the sectors of electrical equipment, computer and communication equipment, and automotive industry. Similarly, a ratio of 1:4-6 was observed in Germany for the whole manufacturing industry (Kinkel, 2014). In general, new offshoring operations are significantly more than backshoring decisions.

However, as reported by Eurofound (2019), in 2015-2018 a shift in the motivations behind reshoring operations was detected: while in the previous years the main reasons given by firms concerned unexpected costs of offshoring and wrong evaluations rather than conscious organisational choices, in the last part of this decade reshoring was mainly driven by global reorganisation of the company and its GVC, the need for customer responsiveness, technology and automation, and, in smaller part, to quality decisions. Other identified factors leading to reshoring of production and the shortening of GVCs were the rising wage costs in some emerging economies and the rising transport costs. However, the overall effects of these factors appeared 'to be rather moderate, particularly when comparing these with the explosive growth of GVCs in the 2000s' (De Backer and Flaig, 2017).

How the COVID-19 pandemic related to previous trends

According to Hitt et al (2021), the pandemic has altered country institutional environments, so creating an 'environmental uncertainty' which in turns has affected MNEs' strategies. After the financial crisis of 2008, a tendency to set more nationalistic and trade restrictive policies has established itself. The pandemic has strengthened concerns about globalisation, hence exacerbating the challenges for MNEs which, by their very nature, operate across countries.

Irwin (2020) highlights how the pandemic contributed to the already existing 'deglobalisation trend'. Indeed, after almost 30 years of unprecedented levels of economic integration, from the 2008 financial crisis, 'trade openness' – measured as the ratio of world exports and imports to world GDP – has fallen. This new historical phase, begun with the financial crisis and still in course, has been called 'slowbalisation' (Irwin, 2020). A study of the European Parliament (2021) too uses the term 'slowbalisation' to describe how global trade and Foreign Direct Investments (FDIs) dropped after the 2007/2008 global financial crisis, and never entirely recovered from that. In Europe, this effect has been particularly accentuated also by the fact that China and other emerging countries have, since then, 'started to develop more extensive domestic supply chains, thus decreasing their reliance on imported inputs' and generating a net reduction of exports and imports worldwide – relative to global GDP (European Parliament, 2021).

Enderwick and Buckley (2020) notice that prior to COVID-19 pandemic, globalisation might have reached its peak, and that the opposite phenomenon of 'de-globalisation' was already in course. The global health emergency accelerated this process. Indeed, in response to the crisis, State involvement in national economies has significantly increased in order to improve national security, while firms – especially MNEs – have begun reconsidering resistance and resilience of their global supply chains, by, for example, reducing length, fragmentation, and geographical concentration.

The outbreak of COVID-19 has amplified the discussion around strengths and weaknesses of GVCs. Even before the pandemic, the OECD identified the factors that could challenge the evolution of GVCs: the most important one, in terms of impact, would be the increasing digitalisation of production, expected to foster automation, hence to the shift of 'global production and trade back towards OECD economies' (OECD, 2017).

According to Kilpatrick and Barter (2020), the pandemic could be defined as a 'black swan event' due to its unpredictability, which is partly responsible for the magnitude of the effects on GVCs caused by the virus. The authors also report that the fact that the first country affected by the contagion was China has had severe repercussions on GVCs: in fact, 'over 200 of the Fortune Global 500 firms have a presence directly in Wuhan', with many others pursuing direct or indirect businesses with suppliers just in that geographical area (Kilpatrick and Barter, 2020).

Zhan et al (2020) underline how COVID-19 impact on GVCs has to be considered in light of the 'existing mega-challenges' in place already before the pandemic. Namely, they are:

- the New Industrial Revolution (NIR) characterised by 'advanced robotics and AI', 'digitalisation in the supply chain', and '3D printing';
- a growing economic nationalism, with policies and economic governances resulting in higher levels of 'interventionism in national policies' and 'protectionism in trade and investment', but also more 'regional, bilateral and ad hoc cooperation';
- the growing attention to sustainability, that is the introduction of specific policy and regulations, 'market-driven changes in products and processes', and 'physical supply chain impacts'.

Those three factors can combine in different ways, but overall, they led to shorter and less fragmented value chains, more concentrated value added, a shift from global to regional and sub-regional value chains, resilience and national security concerns as key drivers of GVC diversification, a shift from GVC-investment to cross-border investment in infrastructure, domestic services and in the green and blue economies driven by the higher attentions to sustainability (Zhan et al, 2020). This scenario provides challenges for policymakers – like increased divestment, relocations, lower chances of developing countries to attract MNEs – but also opportunities, such as increased chances to attract investors from less traditional investments destinations, and more sustainable investments ad value chains. According to the authors, opportunities can be enhanced by changing the 'investment-development path'. That is, to extend the focus of export-oriented investment strategies to broader GVC segments, and to compete not for single-location investors, but for diversified investments 'based on flexibility and resilience'. Moreover, it is necessary to promote investment strategies based on infrastructures and services.

International business after COVID-19

Although the COVID-19 pandemic is still in course at the time of writing in the first half of 2021, and elaborating forecasts is now more difficult than it used to be, in May 2021 the European Commission estimated possible future scenarios of international trade in the European Union. Estimates about 2020 show a drop in EU exports by 8.7% (with respect to 2019), while the expected growth in exports will account for around 8.7% in 2021 and a further 6.5% in 2022. In detail, all countries except Malta foresee exports of goods to increase beyond 2019 levels, while exports in services will be higher in 2022 than in 2019 only in a third of Member States. The reason for this is that exports of services will be much more affected by the progress of vaccination campaigns and the lifting of travel restrictions rather than exports in goods. Effects on EU imports are similar, since they are estimated to fall by 8.3% in 2020, but to increase by 8.1% in 2021 and 6.8% in 2022. As a result, trade openness too will gradually recover from the decline experienced in 2020, showing slightly higher levels in 2022 with respect to pre-pandemic (European Commission, 2021c).

MNEs may react to the higher degree of uncertainty provided by the pandemic by 'developing smaller and more tight-knit supply chains, engaging in more focused market-seeking and resource-seeking FDI, and developing and implementing more regionally based strategies'. Moreover, in the post-pandemic period, it is likely that firms engaging in international business will do it more cautiously than before, while managers may be asked to develop adaptiveness to changes and 'supra-dynamic capabilities' (Hitt et al, 2021).

Overall, COVID-19 pandemic will probably shift the world economy towards a regional – rather than global – focus. In this sense, the European Union, where nation States remain independent but group and cooperate over shared interests, represents the best configuration in the coming global economic scenario. However, a regionally based economy may also bring the side effect of less effective and timely response to global issues, like the global warming, pandemics, cross-border criminal activities. A focus on nation states could be dangerous not only from an economic point view – for example, with protectionist policies – but also from a political perspective, as it could trigger military conflicts (Enderwick and Buckley, 2020).

COVID-19 pandemic can also be seen as an opportunity to rethink the way international business is conducted. Javorcik (2020) suggests that the pandemic incentivises investors to diversify their activity, thus creating new opportunities for less popular investment destinations. Hedwall (2020) expects enterprises to need a more diversified supplier base, but also to invest in technology and sustainability in order to develop a more resilient, sustainable and digitalised supply chain. Strange (2020) points out how resilience of GVCs after COVID-19 will be achieved not through reshoring, but rather by increasing diversification in the global supply chain, which in turns entails open borders and free movement of people, capitals, goods, and services.

Schilirò (2020) adds a positive note to the expressed concerns underlying how the pandemic has had an effect also on businesses' digitalisation, creating the need for technologies that were only optional before. Although the acceleration of digitalisation, technology, and analytics was already the path pursued by large companies, COVID-19 has expanded this process. Examples are the wide adoption of a remote working environment, which many companies are likely to leverage going forward, and a shift to online sales. The article concludes advising governments to continue to encourage digitalisation, in both private and public businesses, underlying that it may offer great opportunities to improve public services and healthcare.

In May 2021, the European Commission updated its latest industrial strategy, initially published just before COVID-19 pandemic outbreak, in March 2020. The new version of the industrial strategy incorporates measures to respond to the pandemic and to set a new framework for the post-pandemic era. The focus is now on three main pillars: ‘strengthening the resilience of the single market, supporting Europe’s open strategic autonomy by addressing strategic dependencies, accelerating the twin transitions to a green and digital economy’ (European Commission, 2021d). In particular, to prevent future shortages of essential goods deriving from disruptions in global supply chains, the EU should reduce its dependency by diversifying its international partnerships, by developing internal strategic capacities, also by supporting new industrial alliances in strategic sectors, and by monitoring strategic dependencies to identify for which products the EU is highly dependent on foreign sources.

In short: Extent of international business activities before and during COVID-19

- In 2018, largest flows of imports and exports are generated by large enterprises, both in intra-EU and extra-EU trade. Most of the enterprises involved in international trade of goods operate in the wholesale trade and manufacturing sectors.
- In 2018, internationalisation of SMEs is positively correlated with firm’s size, while it is negatively correlated with the size of the country of origin of the firm.
- COVID-19 largely affected international trade and foreign direct investments, and negative effects may be visible also at the end of the health crisis.
- The COVID-19 pandemic can also be seen as a chance to rethink the way international business is conducted. Investors may be incentivised to diversify their activities and to develop a more resilient, sustainable and digitalised supply chain.

Public and social partner-based support for internationalisation

EU level initiatives

General characteristics

The European Union has traditionally been promoting the internationalisation of businesses, and a variety of measures exists to support enterprises involved in international activities – or planning to do so. Internally, the single market fosters the internationalisation of business activities by easing trade, commercial partnerships and investments with/towards other EU countries. Externally, the European Commission acts as the common representative of EU commercial interest in multilateral and bilateral agreements and negotiations, but also in partnerships with other regions or international organisations.

Moreover, other specific measures are in place to, for example, support EU companies in engaging or improving their activities abroad, attract foreign investments, or facilitate commercial partnerships between companies based in different countries. Among the main support tools for internationalisation, the European Commission makes available relevant data and guidelines about the target economies, trade possibilities, and required procedures to firms from European and extra-EU countries. Companies can also benefit from personalised services, like consultancy or training.

The European single market

The ‘single market’ system facilitates trade, partnerships, and investments across Member States thanks to the free movement of people, goods, services and capital. In order to ‘boost’ the effectiveness of single market, the European Commission committed to several initiatives, one of them being to ‘improve the opportunities for businesses and professionals to move across borders’ by addressing regulatory obstacles to the mobility (European Commission, 2021g). Moreover, in 2018 the European Parliament and the Council adopted a Regulation to establish an online portal collecting all ‘the information, administrative procedures and assistance services that citizens and businesses need to get active in another EU country’ (European Commission, 2021h).

Box 2: The single market strategy and the single digital gateway

In 2015, the European Commission presented the single market strategy, a plan to 'unlock the full potential' of the European single market. The strategy is aimed at reducing the obstacles to the smooth functioning of the single market, but also to adapt the latter to the changing economic environment. The plan consists of nine pillars, one of them addressing limitations to professionals and business to move across countries. The European Commission has introduced a common procedure for the recognition of professional qualifications and will introduce a 'Services Passport' to support EU service providers wanting to expand their activities to other EU countries to comply with administrative procedures. Moreover, the Commission has invited Member States to assess and possibly remove existing regulative barriers to access certain professions or to provide services in other countries (like restrictive legal form or shareholding requirements) (European Commission, 2021g).

The 'single digital gateway' will provide online access to information and services for businesses intending to operate in another Member State. Available contents will mainly regard details and guidelines about rules, rights and administrative procedures applying in EU countries. Users can also request to be redirected to EU or national services that provide tailored assistance international activities matter (European Commission, 2021h).

The Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs

The 'Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs' of the European Commission (simply 'Directorate' in the following section) puts in place initiatives to support EU businesses to operate in extra-EU countries, with the objective of guaranteeing a 'fair and level playing field for European businesses' and the 'good integration of EU companies in international value chains' (European Commission, 2021i).

The Directorate is active in the following fields:

- cooperation with governments,
- cooperation with regions and international bodies,
- trade negotiations.

It coordinates with the governments of EU's strategic partners to achieve a greater convergence of regulations, and to reduce barriers and costs for European companies to access extra-EU markets.

Activities include industrial cooperation, promotion of small businesses, entrepreneurship and inclusive sustainable development, by jointly dealing with issues related to technical regulations, standardisation, and intellectual property rights.

The EU participates in global trade agreements as a unique actor, hence the European Commission – not single Member States – represents EU commercial interest. In particular, the Directorate is directly involved in international trade and investment negotiations not only in bilateral agreements, but also at the multilateral level, with the World Trade Organization (WTO). As such, it pursues the objective of the 'progressive elimination, or reduction, of tariff and non-tariff barriers' to international trade (European Commission, 2021j).

Other specific measures are in place to support EU companies to internationalise their businesses, with a particular focus on SMEs (European Commission, 2020b). Measures are both direct (addressing EU companies) and indirect (like regulatory frameworks or cooperation agreements with foreign countries and regions). An example of the latter is the 'Partnership Instrument' (PI) programme, through which the EU supports and reinforces the presence of its companies in foreign countries through cooperation efforts in setting and complying to global standards, and by fostering the dialogue with national governments and international institutions over technical issues – like intellectual property rights.

Among the direct measures, the programme 'COSME' (Competitiveness of Enterprises and Small and Medium-sized Enterprises) – which will continue its activities as part of the Single Market Programme (SMP) in the period 2021-2027 – entails different kinds of services for companies involved in international activities (European Commission, 2021k). The most common ones are the provision of information and/or advice, networking, and financial aid. But supporting initiatives in place generally offer a mix of them.

Information provision and advice

When undergoing a process of internationalisation, one of the main obstacles could be the lack of sufficient and reliable information about the destination markets or partner companies abroad. A way to support firms in this delicate early stage of the internationalisation process is to provide them with comprehensive information about, for example, investment opportunities, legal procedures, and economic context of the targeted country. A more specific measure is represented by tailored services of consultancy and advice for firms intending to engage in international activities. On this purpose, the European Commission promoted several measures, among which 'helpdesks' to support companies on specific topics, or portals to collect and explain relevant information.

Box 3: EU level support measures - Information provision and advice

The portal 'Access2Markets' collects details about tariffs, rules of origin, taxes and additional duties, import procedures and formalities, product requirements, trade barriers, and trade flow statistics, which are useful both for importers and exporters willing to trade with extra-EU partners.

The EU also funds five helpdesks to provide support about Intellectual Property issues, destined, among others, to SMEs involved in international technology transfer processes and those ones located in China, India, South-East Asia and Latin America.

Some entities are specialised in business relationships between the EU and specific countries. For example, the EU SME Centre in China supports European SMEs intending to do business in China by providing market reports, guidelines and case studies; by answering questions about business development, legal affairs, standards and conformity assessment procedures, and human resources; by offering training programmes; and by hosting an advocacy platform for SMEs to network. The EU-Japan Centre for Industrial Cooperation provides information about business in Japan, through training, materials and online resources. Recently, the EU-Japan Centre has also launched an 'EPA Helpdesk' to inform and guide EU SMEs about the opportunities offered by the 'Economic Partnership Agreement (EPA)' signed in 2018 by the European Union and Japan.

Networking support

Another pathway to support internationalisation is establishing networks of companies, experts, and local entities from different regions. The additional value of those networks is twofold: on one hand, they foster the pooling of know-how and information about procedures and rules, on the other hand they facilitate the matchmaking between businesses. The latter can also be incentivised by network promoters through events or services to find commercial partners.

Box 4: EU level support measures - Networking

The Enterprise Europe Network is part of the COSME programme. It is a network of 3,000 experts in business from more than 600 member organisations. Commercial co-operation between companies is incentivised both within and beyond the EU. SMEs are also offered personalised services like support for finding international partners, advice to grow and expand into international markets, and support in developing innovative ideas to achieve commercial success on international markets.

The 'European Cluster Collaboration Platform' maps the industrial clusters in the EU, allowing SMEs to find commercial partners and become part of a network.

Financial support

Internationalisation is also supported through the provision of financial resources. It can consist of the provision of loans at subsidised interest rates or direct financing via selected venture capital and private equity funds. Alternatively, companies can benefit from special guarantees for loans.

Box 5: EU level support measures - Financing

The Equity Facility for Growth allows specific venture capital and private equity funds to act as intermediaries in the provision of funding to SMEs in their growth and internationalisation stages, through the European Investment Fund (EIF).

The EIF also offers guarantees and counter guarantees to selected financial intermediaries – like guarantee institutions, banks, leasing companies – through the Loan Guarantee Facility, in order to let SMEs access loans that otherwise would not be granted to them.

Other types of support

There are also other measures to support companies involved in international activities. For example, some of them consist of training on specific issues provided to enterprises. Other popular initiatives are trips organised to let EU companies' representative visit target countries and meet local businesses. Often, this kind of initiative also addresses foreign companies, in order to attract foreign investments or create international trade opportunities.

Box 6: EU level support measures - Others

The Erasmus for Young Entrepreneurs Global programme promotes the cross-border exchanges of new EU entrepreneurs to gain entrepreneurial and management experience in countries like Canada, Israel, Singapore, South Korea, Taiwan and the USA. The experience lasts one to three months and targets entrepreneurs with little experience to be hosted by an experienced entrepreneur. The former can learn the skills needed to establish and run a firm, while the latter can benefit from fresh perspective and possibly from the opportunity to find new commercial partners and expand the business to other markets.

Initiatives in the Member States

General characteristics

Illustrative country-level measures are compiled by Eurofound in the 'ERM database on support instruments for restructuring' (Eurofound, 2021d). The database distinguishes between 'anticipation' measures – aimed at assisting companies and workers in the preparation of international activities – and 'management' measures – supporting actors in course of the restructuring. While the database does not aim at providing a comprehensive overview of all measures available, it is interesting to note that almost all of the collected instruments fall in the 'anticipation category'. It is also important to notice, that coverage is not homogeneous across countries: this does not mean that relevant measures are not implemented in Member States not showing in the database – or in the following summary.

The identified measures are typically managed and/or sponsored by the governments: often the initiatives consist in the establishment of state-owned agencies specifically designated to support internationalisation. In some cases, social partners like Chambers of Commerce, sectoral bodies and associations, or trade union confederations are involved in the implementation of support measures, notably as regards information provision about foreign markets or networking support with business partners abroad.

Internationalisation support either targets domestic companies (helping them to launch or expand their international activities) or foreign commercial partners (by attracting them to business with national entities).

The orientation of internationalisation support is rather diversified, and most instruments do not only follow a single objective, but combine several of them, such as providing information on the target market while at the same time offering networking and matching support, or combining access to finance with advice. A brief overview of the main types of internationalisation support is given below.

Financial support

One of the most common measures is the financial support provided to domestic companies intending to start or expand their international activities (mainly exports), or – more rarely – to foreign investors and companies in order to incentivise them to invest in or trade with the country promoting the policy. In particular, the financial support mostly refers to funding or investment aid. This kind of support is often combined with assistance to access private or institutional investments' funding – like the EU funds, in some case acting as a sort of 'mediator' among financiers and enterprises.

Companies are financially supported also through grants and subsidies, with the possibility to access loans at more favourable conditions than those offered by banks, or by providing guarantees. In some cases, grants are provided to cover specific costs: In Poland, the Ministry for Development and the Polish Entrepreneurship Development Agency co-finance the process to obtain certifications required in trade of goods in foreign markets; in Croatia, the government provide grants to cover costs for training the employees in specific fields, among which business internationalisation. In some cases, Member States offer a reduction of corporate taxes for companies investing in international activities.

Box 7: Country level support measures - Financing

In Spain, the 'Fund for the internationalisation of the company' (Fondo para la Internacionalización de la Empresa (FIEM)[4]) is handled by the Spanish Official Institute of Credit and the Ministry of Industry, Commerce and Tourism to offer financial support to Spanish companies – abroad or located in the national territory – that want to start or expand their export activities. The public funds are combined with private funds supported through a state guarantee to cover credit lines and subsidies for consultancy, assessment or technical assistance.

The Greek 'Export Credit Insurance Organisation'[5] provides programmes for national exporters and entrepreneurs to insure them against commercial and political risks of non-payment. In particular, it offers short-term and medium-to-long-term export credit insurance schemes to insure, respectively, up-to-two years and two-to-five years export credits. Other insurance schemes address construction works by Greek companies abroad, that are covered in the case of non-payment by public- and private-sector debtors in foreign countries; credits provided by banks to foreign importers, so that they can purchase Greek products; foreign investments, that are covered also from non-commercial political risks associated with force majeure (wars, civil unrest, natural disasters), political decisions and measures by the host country of the investment (nationalisations, expropriations, withdrawal of licences), bans on the transfer of foreign exchange, and major changes to the legal status of protection of foreign investments.

SARIO, the Slovak Investments and Trade Development Agency (Slovenská agentúra pre rozvoj investícií a obchodu)[6], aims at increasing the influx of foreign investments, but also at promoting domestic companies abroad. Among its activities, SARIO offers state aid to relevant investments: eligible projects should cover industrial production, technology centres, centres for strategic services and tourism. It also provides investment aid in the form of support to the management of investment projects, or assistance for establishing joint ventures and services for SMEs, regional self-governments and self-employed interested in receiving EU structural funds.

[4] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/fund-for-the-internalisation-of-the-company-fiem
[5] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/short-term-export-credit-insurance-scheme
[6] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/sario-slovak-investments-and-trade-development-agency

In Croatia, companies investing in internationalisation may benefit from tax incentives[7] of different magnitudes depending on the size of the enterprise, the number of jobs added, and the value of the investment.

Networking and matching

Developing international business activities implies the involvement of foreign actors. Hence, a wide network of potential partners and the possibility to be matched with the most suitable ones are important for companies to start or expand their international activities. Accordingly, networking and matching are other crucial support measures provided by Member States, through events bringing actors together, databases of companies with which could be cooperated, targeted advice to identify the partners abroad, and trips abroad to facilitate the establishment of contacts and negotiations about cooperation.

Box 8: Country level support measures – Networking and matching

In Germany, the Federal Ministry for Economic Affairs and Energy[8] promotes a market development programme addressing SMEs and self-employed people. Among its services, German companies can participate in study tours to foreign countries, including information events and workshops, visits to authorities, agencies, potential business partners, and interesting premises for possible investment.

In Spain, ICT-based SMEs can participate in the 'San Francisco Challenge' ('Desafía San Francisco'[9]) a public initiative launched by ICEX (Spanish Trade and Investments Public Office) and Red.es (Spanish Digital Agenda Public Office). The instrument supports the internationalisation activities of Spanish ICT-based small and medium-sized companies in the Silicon Valley and in the United States, also through visits to key companies and universities located in Silicon Valley, and one-to-one meetings and mentoring sessions with local experts, executives, entrepreneurs and interested investors.

Slovenian SMEs can find information about business events for discovering new sales channels on the web portal of the 'Public Agency for Entrepreneurship, Internationalisation, Foreign Investments and Technology' (SPIRIT)[10]. Moreover, the 'Export Window' website provides, free of charge, contacts to exporters searching for business partners abroad.

The national foundation Enterprise Estonia[11] shares information about Estonian companies looking for investors to investors looking for opportunities, and vice versa, in order to match them. In addition to that, it organises events for potential investors to promote Estonia, to introduce the business opportunities and to establish business contacts.

[7] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/tax-incentives-for-technology-investment
[8] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/bmwi-federal-ministry-for-economic-affairs-and-energy-market-development
[9] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/spain-tech-centre
[10] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/export-window
[11] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/internationalisation-activities-of-enterprise-estonia-reputation-o

In some cases, networking and matching support also relates to the labour market. Respective instruments, for example, help employers to recruit abroad, or workers interested in working in another country.

Box 9: Country level support measures – Skills matching

Enterprise Estonia[12] launched a website (Work in Estonia) for foreigners interested in working in Estonia (for example, providing information about working in Estonia) or Estonian employers interested in hiring foreign specialists (for example, offering free-of-charge publishing of job vacancies).

Information provision and advice

Provision of information and advice to companies can be a tailored service or the provision of general information, targeting domestic companies to enhance their presence in markets abroad, or foreign investors to attract investments and trading partners.

Information provided, for example, refers to national regulations or good practices of conducting business. Information channels include specific websites, databases, workshops or trips abroad. Tailored consultancy is offered to the company in the form of mentoring, for example to design a specific plan for its international activities.

Box 10: Country level support measures – Information provision and advice

The Czech Trade Promoting Agency operates the official Czech portal for business and exports (BusinessInfo.cz[13]) dedicated both to foreign investors and domestic companies. It provides comprehensive information services to help foreign businesses to navigate the Czech business environment – for example, regarding foreign trade, finance and taxes, and legislation – but also an online database of export opportunities sorted by country and sector for national companies.

The Netherlands Enterprise Agency promotes the 'DHI subsidy scheme'[14] for Dutch SMEs in all sectors with international ambitions (export and foreign investment), and an interest in emerging markets, developed countries and in developing countries. Under this programme, companies that have already finished their market orientation phase are offered three different services, depending on the kind of activity they intend to pursue: demonstration projects, to assess the profitability of the technology, capital goods or service proposed by the company in the target country, in order to raise the chances of exports; feasibility studies, to assess the profitability of the proposed product or service in order to get foreign investments; investment preparation projects addressing Dutch companies that want to invest in a foreign countries and need to assess the technical and commercial profitability of their investment.

[12] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/internationalisation-activities-of-enterprise-estonia-reputation-o
[13] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/businessinfocz-web-portal-for-czech-businesses
[14] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/grant-scheme-for-demonstration-projects-feasibility-studies-and-investment

The Enterprise Ireland Mentor Network[15], funded through the government agency Enterprise Ireland, is composed of up to 400 senior executives who act as mentors for Irish SMEs and High Potential Start Ups, by providing tailored advice, guidance and support to help businesses accelerate growth and build management capability. Moreover, the network provides expertise also in first-time exporting across the software, services, life sciences, environment, food and consumer products sectors.

Training and skills development

Some countries provide training courses targeted at companies oriented toward international businesses, in order to foster the specific skills and knowledge required for this kind of activities.

Box 11: Country level support measures – Training

'Go international!'[16] is an initiative managed by Advantage Austria, the trade promotion organisation of the Austrian Federal Economic Chamber. Among other services, it provides individual export training to SMEs branching into exports for the first time.

In Slovenia, the government's 'Public Agency for Entrepreneurship, Internationalisation, Foreign Investments and Technology' (SPIRIT)[17] offers training in international business (including international seminars, lectures about sales techniques, presentation of legislation) to national SMEs, through the website 'Export Window'.

COVID-19

As observed in a previous chapter, the COVID-19 pandemic dramatically affected international trade and the flows of foreign investments. For this reason, some national measures addressing internationalisation of companies have been broadened to provide support in response to COVID-19. Most measures already in place have been enhanced in their funding capacity, or procedures to access funds and grants have been simplified. In other cases, new kinds of supports have been added, to specifically cope with the COVID-19 effects on business.

Box 12: Country level support measures – COVID-19 response

'ICEX NEXT'[18] is a programme managed by the Spanish Institute of Foreign Trade (ICEX) to support SMEs having international projects by covering part of the expenses related to the project and by providing tailored advice. Due to the cancellation of numerous events planned to support companies' internationalisation during the COVID-19 pandemic, ICEX will grant companies additional aid based on non-recoverable expenses incurred. During the pandemic, ICEX has also been offering information on digital tools which can enable a company to internationalise, through specific webinars. ICEX NEXT also supports the 'Docuten' project, which provides

[15] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/enterprise-ireland-mentor-network
[16] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/go-international
[17] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/export-window
[18] https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/icex-next

companies with 'end-to-end administrative digitalisation' that has facilitated collaboration during the remote working regime imposed by COVID-19 (Reilly, 2020).

To mitigate the impact of the COVID-19 outbreak, the Swedish Export Credit Corporation's credit framework will be increased from €12 billion to €20 billion and can be used to provide both state-supported and commercial credit to Swedish export companies. This will give the agency enhanced opportunities to meet the export industry's increased demand for credit.

In short: Public and social partner-based support for internationalisation

- The single market itself is a system facilitating internationalisation within the EU, thanks to the free movement of people, goods, services and capital. The European Commission works to enhance the effectiveness of the single market by addressing regulatory obstacles to the mobility and providing relevant information to companies.
- At the EU-level, the European Commission supports EU companies' internationalisation towards extra-EU countries with indirect and direct measures. Indirectly, it cooperates with foreign governments, regional bodies, and international institutions, but also participates in multilateral and bilateral trade agreements to reduce tariffs and eliminate barriers to international activities.
- Both at EU and Member State level, support measures in place mainly consist of provision of information to companies – both domestic and foreign, to attract investments and trade opportunities; provision of tailored advice and mentoring to companies; establishment of networks of companies and professionals; matchmaking services; financial support, and training.
- During the COVID-19 pandemic, existing support measures have often been broadened in their scope and capacity, and also new specific tools have been implemented.

Policy issues related to workplace practices in international establishments

Policy debate (and therewith related research) on internationalisation and HRM/workplace practices focuses, first and foremost, on cross-border labour mobility and placement. The most widely discussed topics refer to posted workers, the recruitment process from third countries, and skills requirements for internationalisation. Additionally, discussions deal with more specific issues: the export orientation and innovation-related HR practices in new-born ventures and the specific challenges faced by international small and medium enterprises (SMEs).

Cross-border labour mobility and placement

Despite the principle of the free movement of people is a cornerstone of the European integration process, there is a general lack of studies addressing the issues raised by cross-border labour mobility and placement from an EU perspective. Eurofound (2014) shows how cross-border labour market mobility in the EU is underdeveloped in international comparisons, particularly with respect to the US: in 2010, transnational migration in the working age population (15-64) intra-EU was merely 0.3%, while the same share for cross-state migration in the US was 2.4%, and 1.2% for migration across the four macro-regions of the US (Northeast, Midwest, South, and West). As highlighted by this study, the barriers and issues to labour mobility are often specific to each Member State. However, it is possible to find some common points:

- the lack of proficiency in the destination country native language;
- the low availability of publicly funded language courses for immigrants;
- the limited number of national and regional policies primarily dedicated to incentivising geographical mobility; and
- the scarcity of studies evaluating the effectiveness of this type of policies.

More recent data on intra-EU mobility shows a similar picture to 2011-2012, only slightly improved. From Eurostat data, it is possible to see that in 2019 the share of EU residents in working age (15-64) that migrated to another EU country among the total EU working age population was 0.32%. In the annual report on intra-EU labour mobility 2020 (European Commission, 2021a), some absolute numbers are reported on EU movers, that is, EU (or UK) citizens living in a different EU country (or UK). Movers aged 20-64 are around 13 million, only 52,000 more than in 2018. Almost half of all movers (17.9 million) resides in the UK or Germany (46%), while another important share (28%) resides in either France, Italy, or Spain. Italy is also one of the main origin countries, together with Romania, Poland, Portugal, and Bulgaria: jointly, these countries ‘export’ 58% of all movers (Source: Eurostat [tps00010] and [migr_imm5prv]).

An analysis conducted in 2012-2013 in the framework of the Central Baltic INTERREG IVA project ‘CentralBaltic JobFerry’ (Kahila et al, 2013), involving Estonia, Finland, Latvia and Sweden, raised the attention on policy solutions to facilitate the placement and employability of foreign workers. The study involved labour market actors from the Central Baltic countries, addressed through interviews, and specifically dealt with sectors and professions facing labour shortage (health care, social services, engineering, ICT and construction sectors). The most meaningful outcomes of this research concerned the obstacles to cross-border labour mobility both at the institutional and individual level. The actors involved in the research emphasised an overall lack of knowledge and cooperation on cross-border labour mobility in the region. In this context, accessibility and applicability of the information available is deemed as crucial. Furthermore, on the employees' side, significant issues were reported relating to the portability of social benefits and pension rights, and about the absence of good language skills. With reference to employers, the interviews showed that the concerns about cultural differences prevented some entrepreneurs to recruit foreign workers. The policymaking solutions to tackle these obstacles mainly referred to an enhanced cooperation between labour market actors within the regions/countries. Moreover, a tailored financial support and the provision of targeted information – concerning not only law and regulation but also attitudes and tacit knowledge[19] – would encourage cross-border employability, facilitating people in seeking a job abroad and in relocating. Specific measures have been also suggested for the departing regions, encouraging the local government to adopt education programmes to prevent workers' emigration from creating a lack of high-skilled workers.

The interrelations between employers' strategies and cross-border labour mobility have been inspected further in the light of the EU enlargement of 2004. While cross-border labour mobility is generally expected to foster a 'race to the bottom' in workers' conditions and remuneration, it emerged that certain factors might encourage employers to act in the opposite way, seeking to protect national wage standards (Afonso, 2011). This research focused on three countries – Austria, Ireland and Switzerland[20] – and was conducted through interviews of officers of social partners and labour ministries[21], with the support of secondary sources as official government documents, national and international press. It identified, firstly, a difference between tradable and non-tradable sectors. In non-tradable sectors the employers, being requested to confront stronger unions, are more inclined to support the regulation of wage standards in order to prevent foreign competitors from using lower wages as a leverage. Conversely, in tradable sectors the export-oriented companies are normally favourable to a more liberalised labour market. Nevertheless, they can find strong incentives to consent to the adoption of wage standards when the relationship between social partners – or the legal framework – encourage them to seek for labour acquiescence. Furthermore, the envisaged public intervention concerning wage schemes is another driver urging employers to look for a regulation of this matters within social dialogue, in order to maintain a stronger control on this process.

[19] Tacit knowledge makes reference to the kind of knowledge that is proper of people living in a specific context – as a determined country – and that is difficult to transfer to other people relying on written or verbal communication.

[20] These three countries were chosen for this study since, at the time in which the observations have been conducted, they resulted three national contexts in which 'peak employer associations have agreed to measures to protect labour markets from downward wage pressures' (Afonso, 2011).

[21] The primary data sources consisted of 36 expert interviews conducted in 2007 and 2008 with officials of employer associations, trade unions and labour ministries in the three countries.

Box 13: Free movement of professionals in the EU before and during COVID-19

In the EU, some professional qualifications are recognised according to Directive 2005/36/EC, recently amended by Directive 2013/55/EU. Automatic recognition is guaranteed to the following professions, for which harmonised minimum training requirements are set: nurses, midwives, doctors (basic medical training, general practitioners and specialists), dental practitioners, pharmacists, architects and veterinary surgeons. In principle, the recognition mechanisms of Directive 2005/36/EC do not apply to professions for which the recognition of professional qualifications is governed by specific legal provisions, like lawyers, sailors, insurance intermediaries and aircraft controllers (but also others). The Directive also sets the rules for professional temporary mobility, and for professional who want to establish themselves in another EU country (European Commission, 2021f). In 2016, the European Commission also introduced the 'European Professional Card' (European Commission, 2021e), an entirely digital procedure for the recognition of qualifications, at the moment reserved to five professions: general care nurses, physiotherapists, pharmacists, real estate agents and mountain guides.

In light of COVID-19 pandemic breakthrough, the European Commission issued a communication to help EU countries address the shortages of health workers. It is mainly intended to allow Member States to ease and make quicker the procedure of mutual recognition of qualifications, also by providing the possibility to request derogations to minimum requirements set out in the Directive 2005/36/EC (European Commission, 2020a).

Skills shortage

Skills shortage is a term referring to the difficulty encountered by employers in recruiting workers with adequate skills. But it can also refer to the case of workers already employed that do not have the skills needed to do their jobs effectively (Bellmann and Hübler, 2014). In this sense, internationalisation – also in the form of cross-border labour market mobility – could be a solution to skill shortages. Bellmann and Hübler (2014) analysed the results from the German IAB Establishment Panel Survey for the period 2007-2012. In the survey, German establishments from the private sector – excluding agriculture, forestry and fishing – were also asked whether they expect problems in filling qualified jobs in the following two years and, if yes, for what reasons. They found that German exporting firms in 2007 and 2008 reported no skills shortage in the post-recession period. This may be explained by the phenomenon of 'labour hoarding' that occurred in Germany during the recession, when exporting companies strategically hoarded and even recruited employees during the crisis to be prepared to serve the needs of the emerging countries in the expected recovery after the Great Recession.

Hessels and Parker (2013) tested how SMEs manage to achieve growth via internationalisation and collaboration with other firms in spite of financial and human capital constraints – represented, respectively, by limited customer demand and shortage of skilled employees. By analysing data of the ENSR Enterprise Survey conducted in 2003 and based on a sample of 7,673 SMEs from 18 European countries, they found that exporting to other countries is significantly positively associated with the growth of employment among firms constrained by the availability of skilled labour. Indeed, exporters may be more able to attract skilled workers by offering them ‘a more interesting work environment’ than non-exporters. Furthermore, more favourable conditions are also in terms of monetary and non-monetary rewards, thanks to a general additional financial resource deriving from exporting, and the possibility of international careers.

Posted workers

Limited-term assignments of employees, generally coming from the less wealthy EU countries and sent to work for third companies operating in the richer national markets, are often characterised by lawful and/or unlawful undertreatments and by social dumping. It occurs for a plurality of reasons. As highlighted by Wagner (2015), they can consist of employers’ practices to utilise loopholes present in the EU or national legal framework. The latter ones are lawful practices, but employers can also adopt illegal conducts relying on an undertreatment of posted workers, hence breaching EU and national legislation. In this case, it is made possible by the low bargaining power of posted workers, and by the public authorities’ limited ability of control and of sanction towards work agencies located in another Member State. ‘Permeable’ EU internal borders, that can be easily overcome by freedom of services and labour mobility, remain therefore ‘concrete’ for labour and industrial rights. Instead of blurring the inside/outside divide between membership groups, these borders strengthen the divide between mobile posted workers with less pay and rights and native workers with higher pay and better employment rights. The borders more relevant for posted workers are those relating to labour market regulation limiting the enforcement of labour rights, and firm borders that separate workers from the host country institutional industrial relations systems. From a practical side, they correspond to practices as double-bookkeeping, with one book in the host and the other book in the home country, to social dumping practices and fines that cannot be traced across borders, entangling the proper monitoring of the labour rights of posted workers.

Box 14: Polish workers in German meat factories: a case of ‘community activism’

In 2012, 82 Polish workers operating in German meat factories, and posted there by a Polish subcontractor, experienced very poor working conditions, represented by compensations widely below the minimum wage, last-minute shift assignation and crowded housing (Wagner, 2015). Despite the wide number of people involved, the case was unknown to trade unions operating in the meat factory sector and to the local social community, since posted workers were not willing to share details of their conditions with local citizens or worker organisations. To break this barrier needed some casual conversations between Polish citizens emigrated in Germany in former years, members of the local community and of trade unions and some of the posted workers, that relying on a closer cultural proximity disclosed some details about their conditions. It allowed the relevant worker organisations, the associations and the citizens living in the place where these meat industries were operating to become aware of the deprivation in which the Polish posted workers found themselves. It gave rise to a series of campaigns which, involving the media and relying on trade unions to tackle the relating legal issues, allowed to widely improve the conditions of the Polish posted workers, allowing them to continue working in the same workplaces, but as agency workers hired by a German work agency and, therefore, covered by the more protective German labour law framework.

From a policymaking perspective, a way to address the issues reported above would correspond, according to some academic experts, to adopting solutions strengthening the involvement of posted workers in the activities of trade unions and social movements operating in their work countries and promoting a framework of rules sustaining the implementation of the role of these organisations at national and regional level. A practice that emerged as effective in breaking the barriers between posted workers and trade unions of their destination country is to employ trade union officers with a socio-cultural background (that is, language, country of origin, common experience as expatriated workers) close to the one of posted workers, to allow them to share information about their working conditions (Wagner, 2015). Other options (Marginson, 2016) could consist of introducing more favourable legislative frameworks and state policies at national and local levels (Locke 2013) – like an extension of national law providing an enhanced protection of posted workers' conditions also to sectors not yet covered. Policies aimed to strengthen the presence and mobilising capacity of trade unions (Eldring et al, 2012; Niforou, 2012) and the capacities of NGOs to organise and mobilise communities and consumers (Bartley ,2007; Locke, 2013) could be as well effective.

With regards to the enforcement of workers' rights in cross-border employment situations, Eurofound (2019b) highlights that some measures are already being taken. In 2017, the European Commission has announced the creation of an European Labour Authority (ELA) with the mandate of ensuring that 'all EU rules on labour mobility are enforced in a fair, simple and effective way by a new European inspection and enforcement body' (Eurofound, 2019b). The four main objectives of the decentralised EU agency are:

- To provide access to relevant information, such as rights and obligations, to individuals and employers engaging or interested to engage in cross-border activities, as well as guidance and advisory;
- To 'mediate and facilitate a solution in cases of dispute between national authorities' (European Parliament, 2019);
- To foster cooperation between Member States in enforcement of Union law, in particular facilitating 'joint inspections', and encouraging the exchange of electronic data and information among States, through instrument such as the Electronic Exchange of Social Security Information (EESSI) system and the Internal Market Information (IMI) system;
- To support cooperation between Member States in tackling undeclared work.

Of major importance are cooperation and the joint cross-border inspections. As reported by Eurofound (2019b), only 11 Member States[22] (and the UK) have well developed and established joint cross-border inspections, in the sense of presenting a regulatory framework, either through national legislation or bilateral agreements; allowing evidence and findings gathered abroad in national courts; having practice of these inspections and cooperation. Of the other Member States, six[23] have

[22] Austria, Belgium, Estonia, France, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Portugal, Spain.
[23] Denmark, Finland, Hungary, Italy, Sweden.

had some practice of joint cross-border inspections, but have no regulatory framework, one (Italy) has had a single case of such practice, and the others have never experienced it. Less intense cooperation activities have been more frequent, although still relatively limited, consisting mainly in information exchange between nations through the IMI system. ELA regulation and authority aims at addressing these shortcomings.

Another factor in the scarce control of posted workers' rights, that can only partially be addressed by fostering information exchange, is the lack of data and the consequent inability of the EU and the national authorities to monitor these work situations (Eurofound, 2020). This is also recognised by the EU Directive 2018/957, amending the 1996 Posting of Workers Directive (Directive 96/71/EC). The study published by Eurofound (2020) outlines various options concerning the necessary data collection and monitoring, advocating that ELA as well as EESSI and IMI systems play an important role in supporting national authorities toward establishing these new practices.

Recruitment from third countries

The policy issues relating to workplace practices in export-oriented establishments do not address only workers' migration within the European Union. Conversely, the participation to the EU labour market of certain categories of third country immigrants, such as highly qualified workers and seasonal workers, as well as intra-corporate transfers[24], play a key role in keeping the European companies competitive and in fostering their capability to innovate.

With reference to this framework, in 2016 the OECD carried out a deep analysis of EU labour migration policies[25], providing for a series of guidelines to strengthen the cooperation between EU and third countries in the view to make the European labour market more attractive (Balleix, 2016).

In the field of public policies concerning cooperation with third countries, the OECD report stresses the need of a further implementation of pre-departure training in legal, cultural or linguistic matters, as well as the adjustment of third countries' diplomas and vocational training to the demands of the European market. At the same time, the OECD urges EU and its Member States to strengthen the cooperation with third countries to limit the brain drain, promoting in these countries the development of university and research infrastructure, adequate salaries and good governance.

[24] An intra-corporate transfer is 'The temporary secondment for occupational or training purposes of a third-country national who, at the time of application for an intra-corporate transferee permit, resides outside the territory of the Member States, from an undertaking established outside the territory of a Member State, and to which the third-country national is bound by a work contract prior to and during the transfer, to an entity belonging to the undertaking or to the same group of undertakings which is established in that Member State, and, where applicable, the mobility between host entities established in one or several second Member States', see European Commission (undated), *Intra-corporate transfer*, DG for Migration and Home Affairs, link https://ec.europa.eu/home-affairs/e-library/glossary/intra-corporate-transfer_en, accessed on 24 August 2020. The matter is regulated by the Directive 2014/66/EU of the European Parliament and of the Council of 15 May 2014 on the conditions of entry and residence of third-country nationals in the framework of an intra-corporate transfer.

[25] The core of the EU labour migration policies is represented by the EU Blue Card Directive (Council Directive 2009/50/EC), the Directive on seasonal workers (Directive 2014/36/EU) and the Single Permit Directive (Directive 2011/98/EU).

Further spaces for improvement have been identified in the field of visa policy, with specific reference to the mobility within EU relating to the three-months business visa, and to the need for simplification of the overall labour migration framework, often complicated by the two-level regulation system relying on EU and national rules.

Closer to the field of workplace practices, the OECD report emphasises the involvement of social partners and companies in the design and implementation of the EU labour migration programme. This strategy (Migration Policy Center and Bosch, 2015) could lead to a more pragmatic approach to cooperation with third countries, strengthening the effectiveness of regulation of labour migration, and the attractiveness of the European Union in the worldwide race for talent. Its cornerstone is to involve the European enterprises in the programmes for reforming the educations systems of third countries, to convey the needs of the EU labour market, and to associate it with programmes for placement with European employers, in the context of bilateral and sectoral recruitment agreements.

The European Training Foundation (ETF) as of 2021 operates in 29 partner countries, mostly in the context of the EU's enlargement and neighbourhood policies. Covered regions are Central Asia, Eastern Partnership (EaP), Russia, Southern and Eastern Mediterranean, Western Balkans and Turkey. The ETF supports national governments to develop education and training to boost employability, and in most countries, it also gives input to the economic reform programme and assesses human capital developments reported in the Torino Process[26]. In addition to that, it monitors the implementation of qualifications reform and supports countries in improving designing and financing of vocational education and training (VET) frameworks (ETF, 2021).

Additional instruments that might be implemented consist of a European skills certification bureau to verify the skills of immigrants before they arrive in Europe and the creation of an 'Europe-wide pool' of qualified candidates[27], preselected according to criteria related to the needs of the EU labour market, in which employers could recruit migrants according to the specifics of each Member States' legal framework.

Recently, the European Parliament and the Council agreed a revision of rules provided by the Blue Card Directive – first introduced in 2009 (European Commission, 2021b). The Blue Card is a permit for highly qualified workers coming from extra-EU countries which guarantees the right to reside and work in one of EU Member States (except for Denmark and Ireland). The updated version of the Blue Card Directive loosens the eligibility criteria to get the permit – by reducing the minimum salary threshold and the minimum duration of employment, eases the recognition of professional skills for the ITC sector, increases flexibility in changing position or employer, open the eligibility also to highly skilled beneficiaries of international protection, allows family members of Blue Card holders to enter EU and the labour market, and guarantees Blue Card holders (and their relatives) to move to another Member State after 12 months of employment.

[26] The Torino Process (TRP) is 'a participatory process leading to an evidence-based analysis of the vocational education and training (VET) policies' in a ETF's partner country (ETF, 2021b).
[27] As indicated also in Balleix (2016), this solution was already contained in the EC European Agenda for Immigration in 2015, European Commission (2015a), *A European Agenda on Migration*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions, COM(2015) 240 final, 13 May.

Education and skills for internationalisation

A correlation between export orientation and a higher level of skill intensity of the workforce is widely recognised in the literature (Bernard and Jensen, 1995; Schank et al, 2007).

Serti et al (2010), on a sample of Italian manufacturing companies employing 20 employees or more[28], realised a breakdown of international companies into importers, exporters, combination of imports and exports and of the geographical distribution of trade. With reference to skills, two-way traders seem to score better than companies focused only on importing or solely on exporting. The estimated coefficients for the skill intensity variable exhibit a 6% premium amidst companies both importing and exporting, that is about twice as much as the premia observed for the one-way trader categories. Furthermore, 'differences among traders in terms of employment and wage structure are also related to the number and type of markets served' by the firms. Importers and exporters trading with more distant countries turned out to be most skill intensive, besides paying also the highest wages. According to the authors of the study, this outcome 'is consistent with the idea put forward by recent quality trade models […] in which only firms with sufficiently high efficiency and quality of production find it profitable to serve distant markets' (Serti et al, 2010).

As regards the antecedents of a strong exporting performance, research relying on a general model applied to the Spanish context (Stoian et al, 2011) identified as the most influencing:

- managerial foreign language skills;
- international business knowledge,
- firm's export commitment; and
- technological intensity of the industry.

The study was conducted to provide a comprehensive picture of the export performance determinants of Spanish SMEs. From the policymaking point of view, it seems to suggest to governments and social partners that key issues are the capability of the companies to stay in line, and possibly anticipate, the technological change, as well as developing stronger skills in international business and in the knowledge of foreign languages. All these fields can be addressed, in the same way, by tailored company practices that could allow companies interested in internationalisation to increase their chances of success irrespectively of the policy support provided by law and public funds.

The central position occupied by the skills in foreign languages is confirmed also by the analysis carried out on a wider sample, encompassing German, French and Swedish SMEs (Bel Habib, 2011). This study investigated the effects of linguistic skills on the export performance of small and medium businesses. First and foremost, it confirmed that a good knowledge of English is not sufficient anymore to perform well in economic relations. The tendency of SMEs to use the specific language of the country to which they export, as a strategy to gain ground in emerging markets, seems to be augmenting, and its effectiveness is finding ground in empirical data. Indeed, the study proved a

[28] The sample is realised merging two dataset provided by the Italian Institute of Statistics: the Micro.1 dataset, containing longitudinal data on a panel of 38,771 firms representing the entire universe of Italian manufacturing companies with 20 employees, covering the years 1989-1997; and the external trade register (COE dataset), providing firm-level data on the on exports and imports over the 1993–1997 period.

relationship between the presence of a multilingual export strategy and the rate of companies declaring to have missed exportation opportunities due to language barriers. Sweden, that scored lowest amidst companies with a multilingual export-oriented strategy (27%) was the country with the highest incidence of business opportunities lost, due to linguistic barriers (20%). An average position was occupied by France (40% of companies with a multilinguistic export strategy, 13% of business opportunities lost). Countries which, at policy and or company level, invested more in the utilisation of local languages while trading abroad, showed as well low rates of business opportunities lost in consequence of linguistical issues: this is the case of Germany, with 63% of companies with a multilinguistic export strategy and only 8% of opportunities gone (Bel Habib, 2011).

Box 15: Foreign language proficiency as a driver to win the race to exportation

Among countries registering the lowest rate of business opportunities lost as a consequence of language barriers, Denmark is one of the most inspiring examples. Danish companies, despite a not widespread mother tongue, are those scoring one of the lowest rates (4%, half of Germany) of SMEs' loss of business opportunities due to lack of linguistic knowledge.

According to data gathered by the SENS Research Foundation (Bel Habib, 2011), the number of languages used among Danish SMEs amount to 12, while those utilised by comparable export-oriented companies in other countries like Sweden amount to three. The rate of Danish companies presenting a multilingual export strategy is 68%, while the most utilised languages – besides Scandinavian ones – are English (95% of addressed companies), German (80%), French (32%), Spanish (19%), Russian and Chinese (10%).

This result relies on strong workplace practices focused on strengthening the language skills of the workforce, starting from recruiting. More than half of the Danish SMEs analysed, indeed, have hired personnel who speak the language of the targeted market as a mother tongue or who have lived in any of the targeted export countries.

For SMEs also the relationship between human capital, company growth and vocation towards internationalisation was investigated. Human capital seems to interrelate, in particular, with SMEs' growth, through the mediation of the reasons to start a business (Gartner et al, 1991).

Some studies (Zanga, 2013; El Shoubaki et al, 2020), provided some findings about the barriers towards internationalisation met by SMEs and the actors that might do more to overcome them. Obstacles are mainly internal to the company and consist of insufficient managerial skills, lack of financial resources and scares knowledge of foreign markets (Zanga, 2013). The need to improve these skills is strategic with specific reference to the figure of the owner-manager, that in the field of SMEs is in general the only or main decision maker, and the one who can increase the SME's growth through exploitation of a new idea (El Shoubaki et al, 2020). Nonetheless, a certain degree of importance has been detected also relating to other key subjects, as employees or co-founders (Crook et al, 2011; Moreno and Casillas, 2008).

Of specific importance is, therefore, the education process concerning the skills mentioned above. Traditionally, it is carried out through learning by doing or training-on-the-job as a consequence of the obstacles encountered while trying to accede to formal education: costs and limits of the education system, characterised by courses not tailored to the needs of SMEs and, therefore, perceived as too time consuming.

From the policymaking point of view, some ways for improvement could rely on the strengthening of cooperative learning, on international mobility of entrepreneurs and on a further development of language skills, basically extra-EU, to ease the entrance in new markets (Zanga, 2013).

Export-orientation and innovation-related HR practices

Voudouris et al (2015), on a sample of 143 Greek new ventures[29] drawn from four major industries (information and communication technology, food and beverages, textile, and chemical), addressed the relationship between labour flexibility and innovation, together with the role played in this process by internationalisation[30]. The main outcomes of the research emphasised that labour flexibility in new ventures has important implications on innovation and, more specifically, that:

- 'functional flexibility[31] has a positive direct effect on incremental product innovation[32]';
- 'numerical flexibility[33] has a positive direct effect on radical product innovation[34]';
- 'the interactions between numerical and functional flexibility affect both types of innovation'.

The examined new ventures were, indeed, those which, being 'under the pressures of the economic crisis' affecting Greece in the first half of the 2010s, were 'in a process of adaptation in an attempt to play a role in global markets, given the shrinkage of domestic demand' and that were 'emerging with an international orientation' (Voudouris et al, 2015).

The results of the study concerning the Greek new ventures have to be considered in the light of its limitations, including a wide majority of ICT-based companies in the addressed sample, suggesting that the results could be strongly influenced by the specific conditions of this sector. Nonetheless, the aforementioned research contributes to the debate on the topic, about which literature still shows diverging opinions.

[29] For the purposes of the research, 'new ventures' were considered those established in Greece during the decade precedent to 2015 and appealing for new entrepreneurs.
[30] More in detail, the study utilised 'ordinary least square' analysis and 'two stages least squares' analysis to examine a bunch of 15 variables, including, as control variables, exports, size, performance, and research and development conducted by the inspected companies.
[31] Functional flexibility corresponds to the extent of employees' rotation among functions and/or departments within the firm, measured in a seven-points scale.
[32] Incremental product innovation is linked with the companies' capability to introduce new-for-the-firm products (Beugelsdijk, 2008).
[33] Numerical flexibility is the ratio of flexible staff used by the company on total employees. For the purposes of the research conducted by Voudouris et al (2015), it includes short-term workers but not part-time ones. The category of short-term workers encompasses independent contractors, temporaries (on-call employees, agency workers) and subcontractors.
[34] Radical product innovation indicates the companies' capability to introduce new-for-the-industry products (Beugelsdijk, 2008).

The findings obtained in 2015 in the limited field of new ventures partially confirm those of Arvanitis (2005), showing how 'functional flexibility positively affects process innovations whereas numerical flexibility positively correlates with product innovations, presumably as a result of the existence of a demand for specialized services'[35]. Conversely, other empirical studies contrast this. Some emphasise that 'with high shares of workers on fixed-term contracts' companies 'tend to have higher sales of imitative new products but perform significantly worse on sales of innovative new products' (Zhou et al, 2011) and those reporting a positive relationship between functional flexibility and innovation, compensated by a negative link between numerical flexibility and innovation (Michie and Sheehan, 2005; Kleinknecht et al, 2006; Martinez-Sanchez et al, 2008; Martinez-Sanchez et al, 2009).

The consequences drawn by the authors in the policymaking and HR practices field were to sustain innovative businesses as a driver for job creation and growth, facilitating 'mobility and flexibility in the engagement of specialized staff in new ventures'. Further initiatives deemed useful have been individuated in the creation of contexts facilitating the entrepreneurs in making the right labour combinations to promote innovation, and in the field of education, in particular in preventing skill obsolescence.

Linked with employees' education is cross-border training and development initiatives in internationally oriented companies. A valid example is represented by the practices adopted in international joint ventures (IJVs) and in the international mergers and acquisitions (IM&As). A qualitative examination of these instruments (Schuler et al, 2004) led to focus, in particular, on cross-border training initiatives (CBTIs) and cross-border development initiatives (CBDIs).

CBTIs are in general employed to develop cross-cultural competencies needed in a fast pace, improving workers' performance in a specific job by increasing employees' knowledge and skills. In IJVs, CBTIs like cross-cultural training and diversity training can provide host parent transferees and host country nationals with 'the required level of cultural general knowledge and intracultural knowledge'. The same consideration applies to foreign parents' expatriates and third country expatriates, with which CBTIs proved to be effective also in increasing the level of culturally specific knowledge. Similar effects have been detected in the sphere of IM&As. In this context cross-cultural training and diversity resulted useful in providing host partner expatriates with the needed cultural general knowledge and intracultural knowledge, while foreign and non-partner expatriates showed benefits also in the field of culturally specific knowledge (Schuler et al, 2004).

The most common forms of CBDIs, on the other side, were identified as immersion experiences in foreign cultures, immersion experiences in different ethnic communities, participation in global teams, and coaching. In the IJVs all of them are considered useful with reference to foreign partner expatriates and third country expatriates, while the most significant relating to host parent transferees and host country nationals are immersion experiences in different ethnic communities and coaching. To prepare IM&As' employees for future assignments, a relevant role has been generally played by the immersion experience in different ethnic communities, while participation in

[35] A positive correlation is a statistical concept, that describes the relationship between two variables in which both variables move in the same direction. Therefore, given two positively correlated variables, when one increases, the other increases, and when the former decreases, the latter diminishes as well.

global teams proved useful specifically relating to foreign partner and non-partner expatriates (Schuler et al, 2004).

In the light of the above, cross-cultural training was the most transversal form of CBTI in the field both of IJVs and IM&A. It contributed to the improvement of cultural sensitivity by increasing knowledge and appreciation about a new country and its culture, and by increasing awareness of the norms and behaviours needed to be successful in a new culture (Black and Mendenhall, 1990; Kealey and Protheroe, 1996). Furthermore, it was deemed useful to strengthen cross-cultural competencies by increasing skills in communication, transition skills, negotiation skills, leadership skills, and management skills (Kealey and Protheroe, 1996). A systematic approach to this CBTI technique (Tarique and Caligiuri, 2003), therefore, might result particularly effective also with reference to cross-border labour mobility within EU.

In short: Main findings in literature about policy issues

- From the policymaking point of view, priority issues seem to be cross-border labour mobility, export-friendly HR practices, and measures to enhance workers' skills for internationalisation.
- In the field of cross-border placement, the main issues concern the need to overcome the obstacles to mobility both at the institutional and individual level. This relates to the lack of knowledge and cooperation on cross-border labour mobility within regions, accessibility of key information to work abroad, the portability of social benefits and the undermining of cultural barriers discouraging the hiring of foreign workers. Possible solutions in this field rely on an enhanced cooperation between regional labour market actors, also in making available in an easier way data about attitudes required by the local market and tacit knowledge. Enhanced and tailored training programmes, on the other side, seem to be useful in the emigration EU countries, to substitute with new skilled people for those taking the opportunity to relocate in other labour markets, and bringing with themselves the strongest local know-how.
- In the sphere of fostering both innovation and exports, the impact of workplace practices enhancing flexibility of tasks or of staff numbers are debated. Solutions that are obtaining a wider consent are the creation of specific contexts facilitating the entrepreneurs in selecting the best foreign workers to their innovation projects, and education programmes to prevent skills obsolescence. As well, an effective way to sustain cross-border employment and the internationalisation of business is to implement policies increasing workers' transition skills, and competencies in communication, negotiation, leadership and management.
- From the point of view of education policies, the studies recently conducted highlight that relevant antecedents of a valuable exporting performance are that employers and their workers have good foreign language skills, international business knowledge, a former experience in contexts characterised by a significant export commitment and/or technological intensity of the industry. Fostering the utilisation of cooperative learning strategies and increasing the share of young employers having former experiences abroad, could help in filling the knowledge gaps mentioned above. Moreover, an analysis of the reasons leading companies to lose foreign business opportunities, in particular with

reference to SMEs, emphasises a need to develop advanced language skills, not only with reference to English but also in relation to the mother tongue of the target markets. Hiring a worker coming from a specific country, or having lived there for a long time, is therefore an added value for a business that intends to increase export towards a specific national market.

Workplace practices in export-oriented establishments

This section summarises previous research related to those HRM/workplace practices covered by the European Company Survey 2019[36].

Working time and work organisation

The adoption of trust based working hours[37] is prevalent among international companies because it is related to increased innovation, and innovation is considered to be a significant aspect on the way of internationalisation of EU companies.

These outcomes, though subject to limitations, derive from a study conducted in Germany in 5,000 establishments (Godart et al, 2014)[38], showing that firms utilising this practice 'tend to be between 11 to 14% more likely to improve products'. Nevertheless, trust based working hours seem not to be a stand-alone practice, but require training and sensitisation. As highlighted by the authors of the study, indeed, the positive results in the innovation of products are based on the control and self-management of workers over their working days, rather than on the mere utilisation of flexibility (Godart et al,2014). Furthermore, significant improvements were obtained mainly in sectors suitable for flexibilisation, like services, while almost no relevant change was perceived in contexts in which work organisation tends to require more rigid working time schemes, like manufacturing.

As regards work organisation, teamwork appeared as one of the ways to organise workforce in the context more correlated with export-orientation. Research addressing the European manufacturing sector[39] (Bikfalvi et al, 2014) showed that, overall, about 60% of manufacturers above the 20 employees' threshold have implemented teamwork in production. A positive correlation with internationalisation emerged, since companies with above average exports had implemented teamwork more frequently (66.1%, against 61.6%). Other significant aspects positively linked with the implementation of teamwork were trading complex commodities and hi-tech products, having introduced new services and products in the last three years, or to follow an 'high road strategy' (competing on the ground of technology, quality and flexibility).

[36] https://www.eurofound.europa.eu/surveys/2019/european-company-survey-2019

[37] Trust-based working hours is a 'human resource management practice that involves a high degree of worker autonomy in terms of scheduling individual working time' (Godart et al, 2014).

[38] According to the authors, this transsectoral analysis 'exploits information on two cohorts of firms that adopted trust based working hours in 2008 and 2010, respectively, and compares their subsequent innovation performance to that of a control group of firms which are similar in terms of characteristics in the 'pre-adoption' period but which did not adopt trust based working hours'.

[39] The sample of the study was composed of 3,522 companies, and data were gathered in 2009 in the framework of the European Manufacturing Survey, covering nine EU countries (Austria, Croatia, Denmark, Finland, France, Germany, Netherlands, Slovenia and Spain) and Switzerland.

Pay

On a general basis, an increase of offshoring and exporting has positive consequences on firm sales, on accounting profits and on the average wage bill. Nonetheless, while exporting is positively correlated with employment, offshoring is linked also with job cuts, primarily affecting low-skilled workers.

A cluster analysis involving low-skilled and high-skilled workers provides for further results. Offshoring has an ambivalent impact on workers' wages on the basis of education, showing a negative elasticity with reference to low-skilled workers, and a positive one in relation to high-skilled employees. Therefore, there is a link between offshoring and skill premiums, and, within firms, these two variables seem to be positively correlated. Export-orientation, conversely, seems to have positive effects on wages both of low-skilled and high-skilled employees.

Clusters of workers highlight differences and inequalities within the same group, on the basis of the exposure to internationalisation of a specific worker (Goldberg and Pavcnik, 2007; Helpman et al, 2010). A higher exposition entails positive effects on the wage. For instance, a Danish study[40] found that, although offshoring is estimated to have a negative effect on wages of low-skilled workers, half of those covered by the study experienced positive net wage changes (Hummels et al, 2014).

Finally, offshoring has a differentiated impact on wages also with reference to tasks covered. Workers appointed with routine tasks generally experience larger wage drops as a consequence of offshoring (Ebenstein et al, 2014). An opposite trend relates to occupations intensively employing knowledge sets from mathematics, social science, and languages systematically. No evidence of specific gains are detected in respect of tasks entailing knowledge sets from natural sciences and engineering (Hummels et al, 2014).

Use of ICT

Rasel (2015) involved 3,288 SMEs[41] and 595 larger firms of the German manufacturing sector[42]. The results showed that while a more intense enterprise software use raises productivity both for SMEs and larger companies, this positive effect is twice as big in the latter case. Furthermore, a positive link between ICT and decentralised workplace practices, like self-responsible teamwork and performance pay schemes, is significant in larger firms, while no evident results are shown with reference to SMEs. On the other hand, having a self-responsible business unit, combined with enhanced utilisation of ICT, does not provide specific results in terms of productivity neither with reference to SMEs nor with large firms.

A possible explanation of the different trend concerning SMEs might be that the smaller firms encounter less difficulties in coordination between different subunits. In addition, the optimisation

[40] The study was realised utilising matched worker-firm data from Denmark, linked to firm-level data on imports and exports belonging to the private sector. The time frame of the observations was 1995–2006.
[41] For the purposes of this research, SMEs have been considered as companies with 250 or fewer employees, larger companies those with more than 250 employees.
[42] The data employed in the analysis have been collected in three waves of the ICT survey conducted by the Centre for European Economic Research (ZEW), and consist of an unbalanced panel dataset including information from 2004, 2007 and 2010.

of the use of information may be on average easier to handle than in larger firms, regardless of their decentralisation degree. Therefore, the SMEs' demand for decentralisation could be lower as a consequence of the reduced benefits from it. An alternative scenario could entail that SMEs are less disposed than larger firms to employ ICT and accompany it with complementary investments.

About internationalisation, the share of export activities – employed in the analysis as a control variable – resulted, with reference to SMEs, as an element positively related both with ICT intensity and with productivity. These findings are in line with those resulting from former studies, emphasising that those exposed to international competition are more technology intensive and more productive than non-exporters (Bernard et al, 2012; Bertschek et al, 2015).

Shifting from the company dimension to the kind and quality of the production, a comparative analysis involving Greek and Swiss enterprises highlighted a stronger complementarity between export-orientation and ICT/innovative work organisation practices (Arvanitis and Loukis, 2015). The sample of the study was composed of companies belonging to a wide range of industries and of size classes operating in one of the two countries[43]. Greece and Switzerland were selected as reference countries due to the differences in high-content and high-skilled labour contained in home and export-oriented production. The outcomes of the analysis emphasised that the adoption of ICT practices in Swiss export-oriented companies – most technologically advanced – produced a significant stimulation in the demand of high-skilled employees. As well, in the same context the interrelation between export orientation and innovative work-design oriented organisational practices – like teamwork, job rotation and decreasing of the number of management levels – had a positive effect relating to medium-skilled workers. On the opposite, both Swiss and Greek companies showed a surprising increase of request of low-skilled workers in enterprises adopting ICT and employee-voice oriented organisational practices, encompassing a decentralisation and decision/delegation of competencies from the management to employees. A possible explanation for this effect could be that although ICT and employee-voice practices have, separately, not relevant effects on the request of low-skilled workers, these two factors combined together 'lead to an increase of low-educated personnel via the enhancement of firm performance that generates additional demand for empowered low-educated employees' (Arvanitis and Loukis, 2015).

From a more general point of view, the fruitful relationship between internationalisation, productivity and ICT seems to represent a cross-sectoral trend. A recent study (Bertschek et al, 2015) involving the manufacturing and commercial sector in Germany demonstrates that the more productive export-oriented companies are the ones showing the highest ICT intensity rates. The levels of digitalisation in companies operating just nationwide are, instead, lower, specifically in the manufacturing sector. Anyway, this study, in line with the theories of heterogeneous firms[44] and

[43] The sample utilised in this study was based on those of two former surveys, relating respectively to Greece and Switzerland. It was composed by an overall number of 4,400 Swiss firms and 300 Greek enterprises. The quantitative data were collected in the period 2003-2005, while the time reference for qualitative variables was 2004.

[44] The approach to international trade based on firm heterogeneity in differentiated product markets makes an attempt to provide a systematic explanation of a variety of data emerging from disaggregated trade, including the higher productivity of exporters relative to non-exporters, within-industry reallocations of resources following trade liberalisation, and patterns of trade participation across firms and destination markets (Melitz and Redding, 2015).

trade-induced technology adoption (Bustos, 2011), seems to see digitalisation as a consequence of internationalisation and productivity. Nonetheless, the positive interaction between ICT development, export-orientation and workplace practices fostering productivity finds, again, confirmation.

Social dialogue

The increased economic internationalisation of companies and markets affected industrial relations in general and the workers' conditions in particular. According to some experts, globalisation is linked with the intensification of precarious work in Europe.

More specifically, some studies point out that the process of internationalisation fostered mobilisation and fragmentation of production processes and value chains. Consequences of this trend were an unprecedented global division of labour (Gereffi, 2005; Baldwin, 2006), together with easier access to the leverage of replacing workers in one country with cheaper or less-organised workers in another (Bonoli et al, 2000; Slaughter, 2007), both for economic reasons or to avoid long and complicated industrial conflicts. Furthermore, the increase of external competition has had effects also on the goals pursued through industrial relations, pressurising employers to reduce production costs and especially wages (Baldwin, 2006).

Some studies at national (Banyuls and Haipeter, 2010) and firm level (Crinò, 2009) have supported the point of view that internationalisation weakens the role of trade unions.

One of the inquiries in this field, concerning EU Member States, regarded the pressure experienced by Danish slaughterhouses in offshoring their production to Germany as a result of international competition (Refslund, 2012). First and foremost, the continued offshoring and threatening to offshore significantly weakened Danish unions. To face this trend, the worker organisations had to adjust their strategy and redefine their priorities. The surveyed workers identified as the main goal to avoid a downward trend in wage levels and, by means of the activism of unions and the centralised collective bargaining system operating in Denmark, they reached their target. However, this resulted in a significant reduction in employment (Refslund, 2012).

This empirical study seems to confirm, in addition, that national strategies to attract companies within the EU labour market, providing more flexibility in the management of workforce, has effects also in the neighbouring countries, fostering offshoring. Moreover, this intra-EU competition seems to put trade unions before a lose-lose decision: to accept a reduction in employment compensated by a slight decrease of wages or, vice versa, to save jobs but with a more intense decrease of compensations. In the field of social dialogue and industrial relations, a consequence of this trend is an overall weakening of trade unions, losing bargaining power and attractiveness towards workers.

In short: Main findings in literature about workplace practices in export-oriented companies

- There is a positive correlation between ICT intensity and export-orientation of companies. While a logical consequence of this trend is an increased demand for high-skilled workers, the adoption of export-related work organisation practices like job rotation and the decreasing of the number of management levels demonstrated a positive impact also in the demand for medium-skilled workers. A positive effect, finally, was detected in the segment of low-skilled workers, particularly in the companies matching ICT polices and employee-voice oriented organisational practices. This last phenomenon, rather on a specific impact of one of the aforementioned practices with the demand for workers employed in routine tasks, appears to be a consequence of the overall enhancement of the market performance of these firms.

- Some workplace practices seem to be specifically suitable for internationalisation. In the sectors more inclined to flexibilisation, like services, the introduction of trust based working hours appears to have a positive impact on the degree of innovation, fostering also the export opportunities. Teamwork seems to be another work organisation practice showing positive correlations with success of international business: not only the share of export, but also product innovations.

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