

# EUROPEAN WORKS COUNCILS: THEIR BENEFITS AND COSTS IN A PERIPHERAL EUROPEAN COUNTRY

Theodore Koutroukis<sup>1</sup>

<sup>1</sup>*Demokritus University of Thrace, University Campus, 69100 Komotini, [tkoutro@econ.duth.gr](mailto:tkoutro@econ.duth.gr)*

## ABSTRACT

It is widely accepted among the scholars that the necessity for social cohesion and workers motivation had as a result the adoption of EU 94/45/EC on European Works Councils (EWCs). This fact has been the cornerstone of the venture to establish a social dimension within multinational enterprises, since it gives employees the right to information and consultation as part of the effort to develop a socially responsible transnational management. This paper includes several results of a conducted research on the functioning of European Works Councils in the Greek industrial relations system. The research concentrated on the oil/lubricants and food/beverage sectors. More specifically, the aim of the research was to test whether EWCs create added value (positive or negative) in industrial relations within subsidiaries of MNCs in Greece and to explore the determining factors of that fact. The research is being conducted using a qualitative approach in a combination of several case studies and interviews with representatives of the parties concerned. The findings from the interviews indicate that on the one hand EWCs contribute to the creation of positive added value (benefits) to those companies and on the other hand the negative added value (costs) is very limited. Furthermore, this paper searches the contributing factors to the EWCs added value such as internationalisation of the company, trade union structure, previous experience on workers participation schemes etc. The paper concludes that EWCs are more effective in internationalised corporations, which face the challenge of more concentrated industrial relations at a transnational level in the European Union (Euro-companies) than in other enterprises, which adopt a more decentralised and national-oriented industrial relations model. Moreover, according to the research findings, whereas the European trade unions have acted for several years as pressure groups for the adoption of EWC directive, the MNCs meet the most important benefits by the EWCs function.

## KEYWORDS

European Works Councils, Multinational Companies, Added Value, Balkan Social Dialogue.

## JEL CLASSIFICATION CODES

J59, M54

## 1. INTRODUCTION

European Works Councils (EWCs) intended to be a cornerstone for the establishment of social dialogue procedures within multinational companies (MNCs). The main reason for that EU initiative was that it would create significant benefits for both the employee and company sides.

This paper is going to test the hypothesis that EWCs create added value (positive and/ or negative) in industrial relations within subsidiaries of MNCs in Greece and search the contributing factors of that fact. Moreover, the main factors that attribute EWCs implications on industrial relations are examined.

EWCs have had a remarkable experience in Greece so far, as several Greek MNC subsidiaries have concluded voluntary agreements to consist such bi-partite bodies in the early 90s (European Works Councils Bulletin, 1998; Knudsen, 2000; Waddington, 2003).

After the adoption of the EWC directive, even more companies created EWCs and tried to maximize the promising benefits of such a venture (Addison and Belfield, 2002; European Works Councils Bulletin, 2003, Knudsen, 2002; Waddington, 2005).

The aim of the study was to provide broad knowledge on how EWCs function in practice and are experienced by Greek EWC representatives as well as by the managers of MNCs subsidiaries in Greece.

## 2. LITERATURE REVIEW

Certain studies have tried to examine the implications of participation schemes in firm performance (Addison, Stanley Siebert, Wagner, and Wei, 2000; Armbrüster, 1994),

Several studies have examined the potential cost and benefits of EWC function (Hall, Carley, Gold, Marginson & Sisson, 1995; Wills, 1999; Cressey, 1997; Lamers, 1998; Nakano, 1999; Weber, Foster and Egriboz, 2000; Beldham and Knudsen, 2001; Bain and Hester, 2001; Vitols, 2003).

More specifically, Gold (2003) has indicated that EWCs provided the institutional setting for several advances that may have been achieved. In the same paper it is reported that managers involved in EWC procedures and functions have argued that their EWC orientation towards commitment, communications, training and flexible working hours should improve their companies' profitability and in fact improves everyday working conditions (Gold, 2003).

In another study, Vitols (2009) pointed out that EWC has had a positive effect for workers and managers. Moreover, he noticed that an 88% of the EWC representatives had claimed that they received helpful information on the economic and social situation of their company (Vitols, 2009).

According to Hazzard and Docherty (2005), from a management's perspective EWCs have afforded not only the opportunity for better quality in information exchange and dialogue but they have also achieved a broadening of corporate culture. As to the employee-side, transnational employee representative networks appear to have become established as a direct result of EWC activity (Hazzard and Docherty, 2005).

Vitols (2003) has stressed that there are several EWCs moderate positive effects on labour-management communication, acceptance of management decisions by the employees, quality of management decision-making, speed of decision-making in the company, implementation of new business strategies.

More specifically, Vitols (2003) noticed the following main benefits of EWC function:

- Better understanding of pan-European company strategy and company vision by the employees.
- Better understanding of national developments and specificities by central management and direct top-down/ bottom-up communication without intervening layers of management.
- Promotion of "internationality" of both the management and employee side.
- Developments of a "group spirit" and networking across borders.
- Creation of a "trust" relationship between central management and national representatives.
- Give signals to lower-level management to take local employee representatives seriously.
- Help promote a "partnership" approach in countries without a strong partnership tradition.
- Put social and HRM issues higher-up on the agenda for (non-HRM) top management.
- Put all countries at the "same level" in terms of access to information
- Help management anticipate the reaction to or consequences of major decisions before they are made.

Nakano has considered EWC as a tool for information, co-operation, involvement and formation of corporate identity (1999).

Waddington has noticed that the main implications which reflect significant effects of EWCs can be found in their function as a source of information, a means to express an opinion on matters within the company, a check of information from management, a means of consultation and a means to influence management (2005).

Gold (2003) has noticed that employers are increasingly appreciating the advantages of EWCs as a means of improving communications and projecting the company at European level. Moreover, he claimed that EWCs have provided the institutional setting for advances that may be made by employee representatives and unions at European level.

In a study concerning their added value for the managers' side, Lamers (1999) has described several EWC implications: a) as a counterpart to internationalization; b) a European platform for communication; c) a vehicle for information and consultation; d) an international cross-pollination; e) a development of a European dimension; f) a support for decision-making; and g) a positive effect on social cohesion, industrial relations in group and local employee participation.

Moreover, Lamers has considered certain EWC implications for the employee side: a) access to the highest institution; b) information at the group level; c) consultation with foreign colleagues; d) international cross-pollination; e) common visions and values; f) steering and checking through social dialogue; g) development of European dimension; i) positive effect on local employee participation, industrial relations within the group and businesslike cooperation (1999).

Another study of the British Department of Trade and Industry has reported the main benefits and costs from the EWC function as they have shown on Table1.

Table 1. Benefits and Costs of EWCs

Benefits	Costs
Symbolic value	Management-time and EWC representative-time (for meetings etc.)
Impact on employee commitment	Venue subsistence
Increased trust	Translation and interpreters
Positive impact on benchmarking	Administrative supports and documentation
Increased co-operation or competition between the workplaces	Raising employee expectations
Ability to exchange information with employee representatives	Increasing bureaucracy
Involving employees more closely in the business	Causing unnecessary duplication
Improving employee's understanding of reasons for management decisions	Fostering calls for transnational collective bargaining
Positive benefits from hearing employee views	Resulting in unnecessary rigidities in industrial relations
Developing corporate culture	Slowing down managerial decision-making
Aiding organizational change	Leading to breaches in confidentiality
Increasing productivity	
Improving strategic planning	

Source: Weber, Foster and Egriboz, 2000.

On its venture to assess the added value of EWC functioning, a study conducted in Greece (Koutroukis, 2004) has distinguished the potential benefits raised by the EWC function. The benefits for the employee side are considered to be: (B1) EWC affords access to the highest level of Group Management; (B2) EWC ensures the worker right to get information at the Group Level; (B3) EWC rises consultation with foreign colleagues and the conclusion of common opinions; (B4) EWC causes international cross pollination; (B5)EWC develops a European dimension of the company and its industrial relations; (B6) EWC provides steering and checking through European dialogue; (B7) EWC provides support for decision making; (B8) EWC has a positive effect on business-like labour-management cooperation; (B9) EWC has a positive effect on industrial relations within the group; (B10) EWC has a positive effect on local/ national employee participation. The main benefits for the management side are considered to be: (B11) EWC has a symbolic value; (B12) EWC improves strategic planning; (B13) EWC increases labour-management trust; (B14) EWC has a positive impact on employee commitment; (B15) EWC increases co-operation/ competition between workplaces; (B16) EWC improves employees' understanding of reasons for management decisions; (B17) EWC causes positive effects through involving employees more closely in the business; (B18) EWC provides benefits from hearing employee views; (B19) EWC contributes to the development of a corporate culture; (B20) EWC contribute to the increasing of productivity; (B21) EWC aid organizational change within company; (B22) EWC increases employee motivation; (B23) EWC acts as counterpart to the

internationalisation of capital; (B24) EWC consists a “channel” of communication at the European level; (B25) EWC is a “vehicle” for information and consultation; (B26) EWC causes international cross pollination; (B27) EWC develops a European dimension of the company and its industrial relations; (B28) EWC provides support for decision making; (B29) EWC has a positive effect on industrial relations within the group; (B30) EWC has a positive effect on local/ national employee participation. The main costs for the management side are considered to be: (C31) EWC raises employee expectations; (C32) EWC increases bureaucracy; (C33) EWC causes rigidities in industrial relations; (C34) EWC fosters calls for transnational collective bargaining within multinational groups; (C35) EWC slows down managerial decision making; (C36) EWC leads to breaches of confidentiality concerning internal information; (C37) EWC causes financial cost to the subsidiary company (Koutroukis, 2004).

Skorupińska has claimed that EWCs activity creates “participate” climate causing the change of social partners’ attitude to works councils and has a significant meaning for crystallization of industrial relations in most new EU countries and for unification of these relations in all Europe (2008). Furthermore, she has noted that EWCs did not influence substantially the decision of central management in transnational companies, neither strategic business decisions leading to restructuring of a transnational company (2008).

As Pulignano and Turk reported (2016), both management and EWC representatives have developed an understanding of how best to work to generate mutual benefits and to come to compromise solutions when disparate interests had to be reconciled. Discussing the results of their research on EWCs the authors noted:

“The majority of interviewees (55 per cent) thought that the benefits of EWCs outweighed the costs, whereas only 19 per cent thought costs outweighed the benefits. Although 69 per cent of interviewees identified operational difficulties with EWCs, only 26 per cent viewed EWCs as a hindrance to management. Furthermore, several of the interviewees that identified operational difficulties had introduced mechanisms to overcome or reduce the impact of these difficulties. In contrast, 71 per cent of interviewees used the EWC as a vehicle to promote corporate identity, 77 per cent reported that the EWC had assisted management and 70 per cent indicated that EWCs added value. Benefits accrued to management from the EWC primarily through dialogue and transparency resulting from timely and high quality communication, which, in turn, facilitated the generation of trust and commitment”.

(Pulignano and Turk, 2016: 78-79)

Timming and Whittall have claimed that EWC had been considered to be a body that promotes a people management agenda, rather than offers workers side a collective European platform to meet central management on equal terms (2015). Moreover, they noted that certain established EWCs had begun to collectively contest the employment relationship with management as well as have an influence over investment decisions and the allocation of product (2015).

### **3. METHOD**

The evidence used in that paper is drawn from two sectors (food-beverage, oil-lubricants) that have been selected as case studies (Yin, 1994). A qualitative approach was adopted because it combines exploratory and explanatory features and, it is considered to be ideal, when a pertinent theory does not exist.

Furthermore, another crucial characteristic of the qualitative approach is that it is very useful when a study of the power and the change at the societal level is attempted (Whipp, 1998:58).

In-depth interviews with representatives of both human resource management and the workforce in the subsidiaries located in Greece took place to give insight in the experiences with the function of the EWCs in the companies and their implications on Industrial Relations and the Management.

The in-depth interview was used as the main research tool. The main advantage of this tool is that it provides the chance to submit new questions or further more specialized ones.

Thus, two semi-structured interview questionnaires with both open-ended and close-ended questions were created; the first included proper questions for the employee side, and the second for the management representatives.

The specific industries were selected because (Koutroukis, 2004):

a) They are very representative of industrial activity in Greece and globally and they meet different combinations of property, business culture, management style, workers representation and industrial relations tradition.

b) They have similar rates of trade union density.

More specifically, all the companies in both industries that have an active EWC were contacted by the researcher, in order to assure the validity and the reliability of the research. Table 3 includes company profile of both industries.

Table 2. Company Profile per industry

Industry	Food & Beverage (FB)	Oil & Lubricant (OL)
Workforce (mean)	604	317
Trade Union Activity	Through company union	Through industrial union
Typology of companies	Traditional Indigenous Firms, that have been taken over by MNCs (brownfield investment)	Greenfield sites, that have been established by MNCs (greenfield investment)
Worker Representation at the workplace	Company Union	Works Council

Source: Koutroukis, 2004

The interviews were based on a common conceptual framework and interview guidelines. A number of 20 interviews were carried out and tape recorded; 11 of them with European Works Councillors and 9 with Human Resources Directors.

The interview questionnaire was an adapted and enriched version of research tools employed in similar studies all over Europe (Kerckhofs, 2007).

The systematic and methodical registering of all the procedures of the survey ensured the possibility of its identical repetition in the future with a high probability of the same results arising (Wallis, 2000).

## 4. RESULTS

The basic points that have been recorded during the EW Councilors' interviews are presented below.

Almost all employee representatives (10 out of 11) described industrial relations in their company to be co-operative. In all FD companies, a company union-management collective agreement (formal or informal) has been signed. In the OL companies, there was no collective agreement at the company level.

Almost all (10 out of 11) have had a positive view on employee involvement institutions within undertakings (information, consultation, participation).

In 6 out of 11 undertakings there is a work council (in all OL companies). In all companies there is a Health and a Safety Committee.

At the annual (or extraordinary) EWC-Central Management meeting there was a local management representation in almost all (5 out of 6) FD companies, but in none of the OL companies.

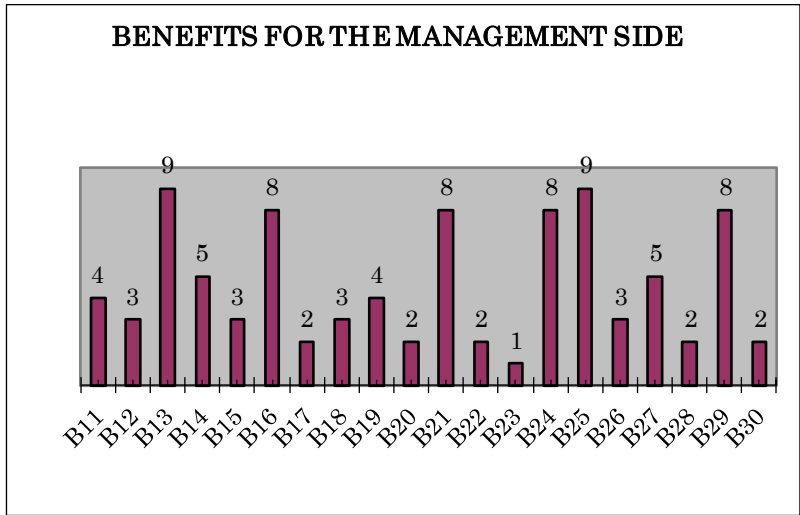
### Graph 1: Employee-side benefits by the EWCs function



Source: Koutroukis, 2004

Graph 2 shows the benefits that have been reported by the 9 personnel managers were interviewed.

**Graph 2: Management-side benefits by the EWCs function**



Source: Koutroukis, 2004

Graph 3 shows the costs that have been reported by the 9 personnel managers who were interviewed.

**Graph 3: Management-side Costs by the EWC function**

## COSTS FOR THE MANAGEMENT SIDE



There was previous experience of worker involvement in a number of the FD companies and in all of the OL companies.

There was no union involvement in EW Councilors' appointment in the majority of the FD companies and in none of the OL companies.

All EW Councilors in FD companies were trade union members, but only one (1 out of 3) in OL companies. All EW Councilors transfer the information, which is obtained during EWC meetings at the national level. Worker representatives in the FD companies transfer that information to the local unions, and the ones in the OL companies to the works councils.

The vast majority of EW Councilors said that EWCs carried out added value to labour-management relations and the company itself at the local level.

The basic points that have been recorded during the Personnel Managers interviews are presented below.

All of them (9 out of 9) described industrial relations in their company to be co-operative. Almost all (8 out of 9) had a positive view on employee involvement institutions within undertakings (information, consultation, participation).

At the annual (or extraordinary) EWC-Central Management meeting there was a local management representation in almost all (5 out of 6) FD companies, but in none of the OL companies.

Almost all (8 out of 9) believed that EWC function is positive for their company, but only few (2 out of 9) wished EWC's role to be strengthened.

A strong majority of them (7 out of 9) believed that EWC's function improves their company performance. All of them (9 out of 9) believed that EWC's function improves labour-management relations at the local level.

All of them (9 out of 9) believed that their employee-side EW Councilor's role is successful and no one believed that he caused any problem to the company.

Only few (2 out of 9) said that the establishment of EWC contributes to a dissemination of employee involvement schemes at the local level.

All of them (9 out of 9) believed that EWC cause added value to labour-management relations and the company itself at the local level.

A strong majority (7 out of 9) said that the most significant countable cost for the company is travel cost.

The main results of the research conducted have been appeared in the following three graphs. Thus, Graph 1 shows the benefits that have been reported by the 11 EWC employee representatives who were interviewed.

## 5. DISCUSSION

European Works Councils carried out significant implications concerning added value on social partners. The collected evidence from the Greek experience confirms the results of other similar studies that have assessed benefits and costs of EWCs (Lamers, 1999; Weber, Foster and Egriboz, 2000).

On the employee side the benefits that were found in that research project (Koutroukis, 2004), cannot be considered as an achievement of the European trade unions' goals from a standpoint of workers' control within multinational companies. The EWCs' functions seem to constitute a kind of pseudo-participation.

On the management side, EWCs create a series of wishful benefits and low costs in a path of rapid restructuring of production and internationalization.

EWCs function more effectively in international subsidiaries with more integrating management operations and a trend to concentrate industrial relations at the group level.

On the other side, EWCs offer limited added value in companies and employees in lesser internationalized and management integrated enterprises with decentralized industrial relations practices.

Those benefits could support the MNCs' strategic decisions. The financial costs of EWCs are limited and therefore do not disturb significantly the management of MNCs.

To sum up the recent trends of Industrial relations Europeanization seem to serve more fully the companies' need to integrate and internationalize some of their operations, than the unions willing to build strong and reliable pillars of a European system of industrial relations.

## REFERENCES

- Addison, J., Stanley Siebert, W., Wagner, J. and Wei, X., (2000), Worker Participation and Firm Performance: Evidence from Germany and Britain, *British Journal of Industrial Relations*, Vol. 38, No 1, pp. 7-48.
- Addison, J. and Belfield, C. (2002), *What do we know about the new European Works Councils: Preliminary evidence from Britain*, Free University of Bozen, (working paper No 21), Bolzano.
- Armbrüster, K. (1994), *Entreprise Performance and Participation*, *P+*, No 9, pp. 17-20.
- Bain, T. and Hester, K. (2001), *European Works Council directive and HR/LR strategies of multinational companies*, paper to the 6th European IIRA Congress, Oslo, 25-29 June.
- Beldam, C. and Knudsen, H. (2001), *European Works Councils: the Visions and the Emerging Realities*, paper to the 6th European IIRA Congress, Oslo, 25-29 June.
- Cressey, P. (1994), The economics of participation and European enterprise Performance: Report on the European Foundation Workshop, *P+*, No 9.
- Hall, M., Carley, M., Gold M., Marginson, P. and Sisson, K. (1995), *European Works Councils: Planning for the Directive*, IRS- IRRU, London.
- Huzzard, T. and Docherty, P. (2005), Between Global and Local: Eight European Works Councils in Retrospect and Prospect, *Economic and Industrial Democracy*, vol. 26, No 4, pp. 541-568.
- European Works Councils Bulletin, 1998.
- European Works Councils Bulletin, 2003.
- Gold, M. (2003), European Works councils: Who benefits? in M. Gold (ed), *New Frontiers of Democratic Participation at Work*, Aldershot, Ashgate, pp. 51-315.
- Kerckhofs, P. (2007), *Evaluating the development of European Works Councils: An analysis of case study evidence* (Ph.D. thesis), Manchester, University of Manchester.
- Knudsen, H. (2000), *European Works Councils: The experience among Danish employee representatives and managers*, paper to IIRA 12th World Congress, Tokyo, May 29-June 2.
- Knudsen, H. (2002), *The passivity of European Works Councils*, paper to IREC conference, Aalborg, August 29-31.
- Koutroukis, Th. (2004), *Employee Relations in Multinational Enterprises: The experience of European Works Councils* (Ph.D. thesis), Athens: Panteion University.
- Lamers, J. (1998), *The added value of European Works Councils*, AWWN, Haarlem.
- Nakano, S. (1999), Management Views of European Works Councils: A preliminary Survey of Japanese Multinationals, *European Journal of Industrial Relations*, Vol. 5, No 3, pp. 307-326.
- Pulignano V. and Turk, J. (2016), European Works Councils on the move: management perspectives on the development of a transnational institution of social dialogue, KU Leuven, CESO, Leuven.
- Skorupinska K. (2008), Evaluation of the activity of European Works Councils, *Comparative Economic Research: Central and Eastern Europe*, 11, 1-2, 125-138.
- Timming, A. and Whittall, M. (2015), The promise of European works councils: Twenty years of statutory employee voice, in S. Johnstone and P. Ackers (eds), *Finding a voice at Work? New perspectives on Employment Relations*, New York, Oxford University Press, 218-238.



- Vitols, S. (2009), *European Works Councils; an assessment of their social welfare impact*, Brussels, ETUI working paper, 4.
- Vitols, S. (2003), *Management cultures in Europe: European works councils and human resources management in multinational enterprises, Final report of a study commissioned by the Forum Mitbestimmung und Unternehmen*, Berlin.
- Wallis, E. (2000), *Industrial Relations in the privatised coal industry: continuity, change and contradictions*, Ashgate, Aldershot.
- Weber, T., Foster, P., and Egriboz, K.L. (2000), Cost and Benefits of the European Works Councils Directive, UK Department of Trade and Industry, *Employment Relations Research Series No 9*, Birmingham.
- Waddington, J. (2003), What do Representatives Think of the Practices of European Works Councils? Views from Six Countries, *European Journal of Industrial Relations*, Vol. 9, No 3, pp. 303-325,
- Waddington, J. (2005), *The views of European Works Councils Representatives*, Brussels, 4th November.
- Whipp, R. (1998), Qualitative methods: Technique or size, in Whitefield, K. & Strauss, G. (eds), *Researching the world of work: strategies and methods in studying industrial relations*, New York: Cornell University Press, pp. 51-63.
- Wills, J. (1999), European Works councils in British firms, *Human Resource Management Journal*, Vol. 9, No 4, pp. 19-38.
- Yin, R. (1994), *Case Study Research; Design and Methods*,: Sage, Thousand Oaks.