



07/04/2005

## **Joint seminars on European Works Councils**

### **Description of cases presented**

#### **Summary**

Building on the work programme for the European social dialogue 2003-2005, which foresaw the organisation of a seminar on the enlargement of EWCs and after the first-stage consultation of the Social Partners by the Commission in April 2004, UNICE/UEAPME, CEEP and ETUC decided to discuss the functioning of EWCs in the enlarged European Union on the basis of practical case studies.

Nine company-case studies were presented during two social dialogue seminars in September and October 2004.

The first case study presented concerned the Fortis Group, which is active in the banking and insurance sectors. The EWC played a useful role to help integrating the different entities in the Fortis group, in which 75% of the total workforce is based in Belgium and the Netherlands and in which diverse professional and industrial relations cultures coexist.

The second case study concerned Lafarge, world leader in construction materials. Lafarge is present in 75 countries, and employs 75,000 employees on more than 2,100 sites. In a context of very rapid internationalisation of the group's activities, the EWC proved useful to communicate on the group's strategy and to develop a group's culture.

The third case study concerned EDF, which is involved in the production, transport and distribution of energy. EDF was originally a public company in a monopoly situation in France, which has rapidly grown in the last years and now functions as an international group. The EWC was established fairly recently and evolved positively, allowing for good communication between management and workers without a marked French hegemony, despite the weight of French operations in the group.

The fourth case study concerned the telecommunications group Ericsson, which is the largest supplier of mobile systems in the world. Faced with a telecoms market which ran into severe problems, Ericsson embarked on a restructuring and cost-

cutting programme to ensure its long term future in 2001. The EWC was instrumental in this process.

The fifth case study concerned Carrefour, the leading European distributor in retail and wholesale trade and the second at global level. The good climate of cooperation in the European Committee on Information and Consultation helped the group realising strategic business objectives and reinforcing its competitiveness.

The sixth case presented concerned Unilever, which is active in the food, home care and personal care markets. The establishment of an EWC has been a gradual process in Unilever. Through the EWC, management and workers have developed information and dialogue at European level, based on mutual trust.

The seventh case presented concerned Henkel. Henkel is active in the sectors of home care, personal care and adhesives, sealants and surface treatment for consumers and industry. The relationship and cooperation between the European Employee Council and Henkel's management is seen as a dynamic process involving learning and improving on a permanent basis. The European Employee Council agreement provides a broad basis as a framework to find practical solutions to deal with mutual problems.

The eighth case presented concerned the engineering group GKN. GKN has very diversified portfolio of products and there is a big contrast between production and services divisions. The experience of their European Forum is positive but illustrates the complexity of running an EWC and ensuring a real sense of ownership of the EWC by the whole workforce.

The ninth case presented concerned EDS, which core business is IT applications and business process services and IT transformation services. EDS has integrated the EWC at the heart of its business strategy and is developing a highly interactive way of operating in its EWC.

The company-case studies were presented jointly by a representative of the company's management and a worker representative.

On the basis of these case studies, ETUC, CEEP and UNICE/UEAPME drew joint conclusions entitled "Lessons learned on European Works Councils".

## Case 1: Fortis

The case was presented by Mr Vervinckt, (management) and Mr Cools (workers).

The speakers presented the company and the multi-layered information and consultation structures existing in Fortis before focusing on creation of the Fortis EWC and its subsequent modifications linked to the merger of Belgian Société générale and Fortis, as both companies had their own EWCs.

### **The company**

Fortis is divided into two main working areas: banking (two thirds of pre-tax results) and insurance (approximately one third of pre-tax results).

Within the banking sector the organisation is structured in five different branches:

- Merchant Banking (2,600 people),
- Private Banking and Trust (2,300 people),
- Asset Management, which is a highly internationalised activity with a network of 14 specialised investment centres,
- Information Banking, and
- Network Banking.

The insurance sector is organised in a geographical structure consisting of Insurances Netherlands, Insurances Belgium and International Insurances. Reliance on self-employed insurance brokers is an important feature in this field of activity.

The Fortis Group also has two foundations in Belgium and Netherlands as part of its active engagement in societal issues.

Fortis employs 48,599 people around the world, 75% of whom are in Belgium (24,344) and the Netherlands (12,998). The remaining 25% are spread across the following countries: Luxembourg (2,523), UK (2,886), Poland (866), Spain (304), Portugal (42), France (2,570), Switzerland (240), other European countries (493), Asia (711) and the rest of the world (623).

### **Information and consultation in the Fortis group**

An overview of the information and consultation structures was provided, which highlighted the multiple layers of information and consultation that exist and differences in cultures between countries.

In Belgium, there are seven works council altogether operating in parallel with no hierarchical relationship. In banking, one single works council covers three legal entities (FBB, FCC and FBA). The other six legal entities of the group (FAG, Belgolaise, Fortis lease, Fortis Comm. Fin, FRE, FIM) have distinct works councils. Moreover, in Belgium, works councils have a mixed membership, comprising both the management and workers, and are chaired by management.

In the Netherlands, the situation is very different. Works councils there are exclusively composed of the workers side and can therefore only be chaired by a

worker. Moreover, there is a much more hierarchical structure for information and consultation. Mini-works councils in each business line of each legal entity send representatives to two national works council (one per business line). The works council for banking and the works council for insurance then designate representatives to the central works council for banking and insurance in the Netherlands. This body in turn sends representatives to the EWC.

In Luxembourg there is one single “comité mixte”, in France, two works councils (one for banking and one for insurance) while in Germany, Fortis follows the “Betriebsrat” system. A works council is currently being set up for banking activities in the United Kingdom. In Spain and Ireland, information and consultation is organised through staff representatives.

The existence of this multi-layered information and consultation system and differences in national cultures were crucial factors during the negotiations on setting up the EWC.

### **Negotiating the creation of the EWC**

Negotiations began in 1995, one year before the entry into force of the directive.

Two elements created a useful background for the discussions:

- the existence of a good social climate in the group, with both Fortis and Générale de Banque having the experience of their own EWC before the merger;
- the fact that sporadic transnational contacts had taken place before the negotiations.

Nevertheless, some difficult points had to be addressed.

The first difficulty was to determine which companies actually belonged to the group. The second difficulty was to decide how to designate the worker representatives given

- the number of countries and workers representatives involved in the negotiations (in Belgium, which was the biggest component of the new Fortis, account had to be taken of the different sensitivities of three different trade unions and of the differences between Flemish and French speaking audiences),
- differences between the banking and insurance professions,
- differences between northern (Netherlands) and southern (Belgium, Luxembourg, France) information and consultation traditions concerning:
  1. the nature and composition of work councils, consisting in the Netherlands of workers only and speaking to the management which is not part of the body itself on the one hand, and Belgium, Luxembourg and France on the other hand where work councils are mixed bodies composed of management and workers.
  2. different traditions with regard to non-unionised worker representatives with the co-existence of “Latin” systems which requires worker representatives to belong to a trade union and northern traditions where non-unionised worker representatives compete with trade union members.

The solution chosen was to respect existing differences rather than trying to impose the “dominant” system and to create a mixture drawing inspiration from the various

cultures. For example, the new Fortis EWC has two chairs, one from the worker side and one from the management side but, in practice, meetings are chaired by the management chair.

With regard to enlargement, Poland and Switzerland were invited to participate in the EWC from the outset. However, despite several contacts to establish worker representation from Poland and Switzerland through both the Human Resources management and UNI-Europa, workers in these countries did not reply and are therefore not represented in practice.

### **EWC agreement**

Three different stages led to the present agreement.

The first agreement in Fortis dates back to 20 September 1996. The same year, Générale de Banque, which was not yet part of the Fortis group, had also created its own EWC. In 1998, there was a first amendment with relatively minor modifications regarding the use of language and threshold to send a direct representative to the EWC. The agreement was revised a second time in 2000 after the merger of Générale de Banque with CGER. Modifications were more important since the two existing EWCs were merged.

According to the current agreement, the EWC:

- is a cross-border consultation body established at the level of the Fortis Group,
- working in a spirit of constructive dialogue,
- with due respect to the competences of national information and consultation bodies,
- giving information on the evolution of activities and future perspectives of the group during ordinary meetings, and in particular with regard to the following matters: structure of the group, economic and financial situation, probable evolution of activities, trends in employment, investment projects, substantial organisational changes, transfers of activity, mergers, reduction of activity or closure of sites, collective redundancies,
- acting as an ad hoc forum for consultation in due time if two companies in the group are affected by a relocation of activities, a merger, a company closure or collective redundancies, bearing in mind that the opinions expressed by workers can be a positive contribution but do not limit management prerogatives to decide independently.

With regard to the composition of the EWC, the agreement foresees:

- a maximum of 40 members + the same number of alternates,
- direct representation in the EWC is granted for companies with minimum 100 in the country with minimum 100 workers in one company or minimum 100 workers per business line (i.e. banking or insurance),
- in all other cases, representation is indirect (via the bureau),
- the composition has evolved to match structural changes within the group,
- representatives in the EWC are designated by local bodies or, in their absence, through direct local elections,
- protection of worker representatives is granted in accordance with the same rule as for the local bodies concerned,

- mandates are granted for the same duration as the local mandate or, if this is not specified, for four years.

Concerning meetings, the agreement establishes

- two ordinary meetings a year, which last for three days (including travel time),
- the possibility of extra-ordinary meetings at the request of management or workers (this possibility has not been used so far as the company has only experienced purely local restructuring),
- the possibility to create ad hoc working groups on specific subjects (this possibility has been used).

Meetings are prepared by the bureau, which consists of five persons (one chair and one secretary and one assistant chair and two assistant secretaries) and meets every two months.

Interpretation and translation of documents are possible in all represented languages.

There is currently a strong Belgian influence in the EWC, due to the concentration of the workforce in Belgium as shown in the table below .

<b>Country</b>	<b>Number of seats</b>	<b>from banking</b>	<b>from insurance</b>
Belgium	15 (+ alternates)	10	5
Netherlands	10 (+ alternates)	6	4
Luxembourg	4 (+ alternates)	3	1
France	3 (+ alternates)	2	1
Spain	2 (+ alternates)	1	1
Poland	0	0	0
Germany	1 (+ alternate)	1	0
UK	3 (+ alternates)	1	2
Ireland	1 (+ alternate)	1	0
Switzerland	0	0	0

Meetings are chaired by a member of the Executive Committee of Fortis (usually Herman Vervilst, Vice-President of the Executive Committee and President of Fortis Bank). On the management side, the person responsible for human resources is also present (Michel Deboeck). The Executive Committee delegates daily contacts with the EWC to a member of the management in the corporate centre (Mr Vervinck). Other members of the management are invited on an ad hoc basis in the light of the agenda of meetings.

### **Assessment of the EWC**

The EWC had brought the following positive changes.

- There is now a group of worker representatives in Fortis who know each other, know the various national information and consultation systems as well as working conditions and consequences of market developments and have developed an expertise in discussions with management at EU level.
- The expertise of members of the bureau can help in situations of crisis to structure discussions and facilitate local negotiations.
- Top management obtain further information on what is happening at local level through discussions with worker representatives in the EWC.

- The EWC helps to improve the movement towards integration of the companies in the Fortis group in a company that wishes to evolve towards a one-company concept for the Benelux countries.

The points to improve include:

- The high cost of meetings (€ 25,000 per meeting), which could be reduced by working in English only.
- There is a certain duplication of consultation of the EWC and of the local bodies as the division of tasks is not always clear.
- There are still difficulties linked to differences of culture and attempts to impose the dominant models (Belgium and Netherlands) of social relations.
- The imbalance of representation in favour of Belgium remains.
- Workers feel there is not enough time to prepare meetings and that the interest of workers in the EWC work is not always sufficient and that local worker representatives sometimes still prefer to solve local problems behind closed doors even though solutions may be later replicated on other sites.
- Transnational communication is sometimes difficult.
- Being an EWC member requires ongoing learning.
- It is sometimes difficult to find the right balance between the need to protect confidentiality and the need to give information.
- Enlargement of the EWC, which is seen as a major challenge by the worker side.

## Case 2: Lafarge

The case was presented by Ms Larrat (management) and Mr Ponceau (workers).

### **The company**

Lafarge is the world leader in construction materials. Its primary products are building materials (cement, concrete and aggregates, roofing and gypsum). Its activities are widely spread geographically. It is present in 75 countries, and employs 75,000 employees on more than 2,100 sites. In 2003 the turnover was € 13,658 billion.

Originally the company was essentially French, with a purely family ownership. It then evolved to become an international group listed on the Paris and New York stock exchanges. The shareholder structure is composed of both institutional investors and individual shareholders. Out of a total of 251,150 shareholders, 245,000 are individuals, but individuals represent 13% of the ownership structure compared with 34.4% for French institutional investors and 51.5% for foreign institutional shareholders. No shareholder has more than 5% of the group's capital. Employees hold 3% of the shares.

The group started to internationalise in the 1950s in Brazil and North America. The group expansion in Europe dates from the 1990s starting with acquisitions in Eastern Europe (Poland, Czech Republic, East Germany and Romania). In 1997 and 2001 two major companies in the UK were bought: Redland and Blue Circle.

Since 1997, the group has doubled figures in terms of employment, turnover and net results, and started activities in 30 new countries.

The field of activities requires local production as close as possible to its customers, and has resulted in a deeply decentralised management structure. Although there is an overall international strategy, all local plants have their own strategies and decisions are taken locally. The group sites are small and medium-sized with between four and 150 employees. The working sphere of the group requires a great deal of technical know-how. Social relations remain essentially local.

### **EWC agreement**

The first EWC agreement was concluded on 8 December 1994 with two European trade unions FETTB (affiliated to ETUC) and FECC (affiliated to CEC) for the management staff. The initial agreement foresaw an experimental phase of three years and an evaluation. The agreement was renegotiated twice following the expansion of the group (in 1999 and 2004).

The reasons for the agreement were

- the forthcoming directive,
- increased importance of Europe for the activities of the group with acquisitions in Eastern Europe,
- need to create a dialogue structure.



The objectives pursued were

- to give broad and relevant information on the group's strategy and policy,
- to develop an awareness about the challenges for the group and its international dimension,
- to develop a group culture beyond the diversity of professional and national cultures,
- to develop European approaches on employment, safety and working conditions.

Three elements were key in the approach taken:

- respect the group's basic rules of functioning and organisation, which consists in strategic coordination but operational decentralisation,
- take a pragmatic, step-by-step approach,
- negotiate with EU-level trade union organisations (in the presence of the bureau of the EWC for the renegotiations)

The principles for the functioning of the EWC are the following:

- The objective of the EWC is to develop exchange of views and dialogue (explicitly designated as information and consultation within the meaning of EU law since the update of the agreement in 2004).
- The EWC is supranational and is competent for issues concerning at least two European countries. It does not substitute for local or national representation bodies. For example, in 2002, when a cement factory was closed in the UK, the local worker representatives were informed before the bureau of the EWC. The bureau then followed the development of the situation but the consultations took place locally.
- The EWC as a body and the EU culture is being built over time. It is therefore important to have a certain continuity. Two elements of stability were built into the agreement: the fact that it was concluded for an indefinite duration and the fact that EWC members and secretaries have a mandate of four years.
- For efficiency reasons, the number of members has been limited. Moreover, the agreement foresees one plenary per year in order to encourage work in the restricted committee (composed of the secretary of the EWC and three assistant secretaries) or working groups.

The composition of the EWC is established in accordance with the following rules:

- There are approximately 30 full members and the same number of alternates.
- Their mandates are given for four years.
- All representatives have to be elected in order to ensure genuine worker representation.
- One seat is given to each country where more than 150 workers are employed, and additional seats are then granted on a proportional basis to reflect the total number of employees in each country. The seats can also be weighted by branches of activity. For example, the five German seats are shared between different professions.
- EU candidate members can participate as observers. This was done, for example, following an acquisition in Romania.

There is a bureau consisting of one secretary and three assistant secretaries which can be assisted by an expert from the European trade unions. It is in charge of preparing the annual meeting and meets at least once in a quarter. It also has a role

to play in following on the plenary meetings on specific subjects and to deal with questions transmitted to it by EWC members.

### **Functioning of the EWC**

In 2002, the breakdown of seats was as follows:

<b>Country</b>	<b>Number of seats</b>	<b>Number of employees</b>
Germany	5	4,500
Austria	1	560
Spain	1	700
France	9	9,120
UK	5	4,990
Italy	2	1,160
Greece	4	2,690
Netherlands	1	600
Poland	2 (including one to be filled)	1,930
Czech Republic	1	570
Slovenia	1 (to be filled)	420
Sweden	1 (not filled)	460
Romania	1 (observer)	1,850
<b>Total:</b>	<b>34</b>	<b>28,000 (= 37% of workforce)</b>

In addition to the annual plenary meeting and normal meetings of the bureau, the main events in the life of the EWC can be summarised as follows:

- December 1994: signature of the agreement.
- January 1998: extraordinary meeting of the EWCs of Redland and Lafarge to inform about the takeover bid (OPA).
- April 1999: signature of an update to the agreement followed by a recomposition of the EWC throughout 1999.
- 2000: Lafarge moves out of production of specialised building materials (paint, etc.).
- May and October 2001: extraordinary meetings of the bureau following the takeover bid for Blue Circle.
- End 2001-2002: recomposition of the EWC.
- June 2003: signature of a common declaration/charter on health and safety.
- June 2004: signature of an update to the agreement.

The annual plenary meeting involves five different stages:

- The preparation is carried out by the bureau. Documents are sent 15 days to one month ahead of the plenary meeting.
- The half-day preparatory meeting reviews the documentation received and prepares questions and issues to be raised with the management.
- The informal gathering in the evening which facilitates direct informal dialogue with the management is particularly valuable for EWC members who do not participate in the bureau.
- The one-day plenary meeting is divided in three parts to cover economic issues such as the results of the group, social issues such as health and safety or the evolution of employment and miscellaneous issues such as the partnership between Lafarge and WWF or the challenges of CO<sub>2</sub> emissions for the group.

- The report is sent out within three months.

Communication with and between the members of the EWC is mainly carried out by e-mail.

The secretary of the EWC and his/her deputies are in continuous communication with the management. The secretary has IT and communication tools and the necessary time to perform his tasks and receive language training.

### **Assessment of the EWC**

For the management, the overall assessment of the functioning of the EWC and its evolution was extremely positive. The EWC proved useful to communicate on the strategy of the group and to develop the group's culture in a context of rapid and profound internationalisation. Training of the EWC members on economic concepts (such as international indicators of the group's performance) and on national systems of worker representation in Europe has played an important role and has been foreseen in the text of the EWC agreement since 2004.

From the workers' perspective, the EWC's two main achievements were highlighted:

- the signature of a charter on health and safety in June 2003,
- better understanding of trade union cultures in other countries.

With regard to the latest update to the agreement in 2004, the workers particularly valued

- the explicit reference to information and consultation within the meaning of the EWC directive,
- the involvement of the bureau in the negotiations alongside FETBB which made it possible to take account of real-life experience in the company,
- the fact that protection of EWC members is granted by the agreement if not foreseen in the applicable national legislation,
- the transformation of the bureau into a "restricted committee" and the addition of a deputy secretary,
- the possibility to receive one day of training for the EWC members and of time credit for EWC members,
- increased stability in the EWC regardless of developments in the group (in the past, some trade unions did not want to give back seats when the composition had to be reviewed to make room for new members after an acquisition),
- the possibility to revise the agreement every four years.

However, the following points were identified by the management as difficult:

- the high cost for translation, travelling,
- burdensome administration stemming from the volume of documentation and frequent changes in the group's remit with the related adaptation of the EWC composition,
- relatively heavy procedures to designate members,
- the role of external experts who sometimes took an excessively legalistic attitude and requested extraordinary meetings even for minor changes in the group's remit.

With regard to the future, the EWC had established its role in an increasingly international group. Relations with the European trade union federations were

frequent. The group was considering developing regional approaches rather than a global approach.

From the workers' perspective, the following weaknesses were pointed out:

- the problem of languages,
- ensuring that members stick to the European dimension was sometimes difficult,
- visibility of the EWC for the employees,
- working in relation with other worker representative bodies was sometimes complex.

Having completed work on the health and safety charter, the EWC still had two issues on its agenda and on which work had not yet started: initial and continuing training on the one hand and a social charter on the other hand.

### Case 3: EDF – Electricité de France

The case was presented by Ms Cordier (management) and Mr Pommery (workers).

#### **The company**

EDF works in the energy sector, and is involved in the production, transport and distribution of energy.

The turnover was € 45 billion in 2003. Today, 22% of the electricity in the European Union is distributed by EDF.

EDF employs 170,000 workers, with 90% of the workforce in Europe and two thirds in France.

Until recently EDF was a public company in a monopoly situation in France. Through its growth policy, EDF has little by little developed to become an international group but has only existed as a group for two years and its EWC is only three years old.

The performance model adopted by EDF group is based on three pillars:

1. financial performance,
2. business excellence and
3. social and environmental responsibility.

The EWC was the first body for social dialogue at international level contributing to forging the group's identity. Since then a social dialogue body has been set up in Latin America and an advisory committee in the Asia-Pacific area. The next step could be a worldwide committee for social dialogue.

Changes in the breakdown of the workforce of EDF in Europe between the signature of the EWC agreement on 14 November 2001 and 2003 were as follows:

Country	November 2001	End 2003
France	120,000	115,000
UK	3,400	10,700
Sweden	550	-
Italy	-	1,800
Poland	4,000	4,300
Hungary	3,200	2,000
Slovakia	-	2,300

#### **EWC agreement**

The main characteristics of the EWC agreement are the following:

- Enlargement has been anticipated. Poland and Hungary were integrated from the outset (already during negotiations).
- Transnational issues are defined as matters which
  1. affect two different countries, or
  2. concern one branch outside France but are a direct consequence of a decision taken at the headquarters of the group. For example, in Poland, restructuring which took place as a consequence of privatisation was dealt

with locally but, in the UK, social consequences of a merger were discussed in an extra-ordinary meeting of the EWC.

- The notion of “dominant influence” is different from that proposed in the directive and workers in “minority” companies can send an “auditor” (observer) in the EWC if the real exercise of powers appears to be in the hands of the dominant company.
- The agreement defines the notion of consultation as discussions on matters within the competences of the EWC, which may lead to an opinion. It lists the issues giving rise to prior consultation (e.g. policies to accompany restructuring, policy for mobility of the group, R&D policy). In case of exceptional events (for example mergers), the notion of prior consultation means before implementation decisions are taken.
- A country can send a representative to the EWC when more than 50 people are employed. Additional seats are then granted in accordance with a system of successive thresholds (from 1,000 to 1,999 workers = one seat, from 2,000 to 2,999 workers = two seats, from 3,000 to 4,999 workers = three seats, from 5,000 to 6,999 workers = five seats, from 7,000 to 9,999 workers = five seats, 10,000 workers or more = one additional seat per 10,000 workers). There are currently 31 members and the same number of alternates, broken down as follows:

France	18 members (9 CGT, 4 CFDT, 3 FO, 1 CGC, 1 CFTC)
UK	4 members (Unison and Prospect)
Poland	4 members (Solidarnosc)
Hungary	4 members (VDSZSZ)
Slovakia	1 member (SOZE)
Germany	1 auditor (VERDI)
Europe	2 permanent guests (EMCEF and EPSU)

- The EWC is chaired by the CEO of the group (or his representative) accompanied by members of human resources management.
- Documentation preparing the EWC is sent out one month before in all the languages required
- There are at least two plenary meetings per year, with a possibility for additional plenary meetings in exceptional circumstances or if requested by a majority of members. All the meetings are always preceded by a preparatory meeting and followed by a debriefing.
- There is an EWC secretariat consisting of nine members to coordinate the activities of the EWC and ensure the follow-up between the two plenary meetings.
- Ad-hoc meetings or working groups can be set up.
- EWC members are granted the following resources:
  - Five days of training per year (+ language training if necessary),
  - A credit of time of 90 hours for members and 120 hours for members of the secretariat per year (excluding time for meetings),
  - IT and communication means,
  - possibilities to travel and visit various production sites (30 travels/year),
  - a specific budget for experts if necessary. Representatives can call upon experts on accounts, auditors and experts on different subjects. A study on collective guarantees is undertaken by experts under this budget.

## **Assessment of the EWC**

With an annual budget of €750,000, after 2½ years of operation, the EWC has held

- nine plenary meetings, including two extra-ordinary meetings, one on the merger of LE and Seaboard in the UK and one at the unanimous request of members on the employment within the different Group's companies ;
- Twelve Secretariat meetings;
- Worked on five specific topics in ad hoc meeting or working groups (on the perimeters and the rules of EWC composition, ethics charter, collective guarantees, health and safety ...);
- Fifty journeys to visit sites in France and abroad;
- a seminar on the social responsibility of the group organised by the EWC in cooperation with the Group human resources department. This seminar has given rise to negotiations worldwide, which will probably lead to an agreement on corporate social responsibility.

The EWC:

- has fulfilled its role in helping to build the group's identity by learning to work collectively with due respect to cultural and historical differences present in the group, without a marked French hegemony despite the weight of French operations,
- has become a mature body as members have gained in experience,
- has helped the management to better understand workers' expectations and to learn how to give information and communicate with worker representatives.

However, there is room for improvement concerning :

- The appointment of representatives : variations in national rules lead to different approaches towards representativeness (for example France vs UK) and multiplicity of trade unions can lead to unfilled seats where they do not agree on who should be designated (for example in Italy),
- Provision of information on a continuous basis : despite the efforts made to communicate the group's results to the workforce through various channels, including various internal magazines,
- The sense of ownership and the visibility of the EWC vis-à-vis workers,
- Ability to review the representation in order to reflect changes in the group's workforce more correctly : it is difficult to reduce membership of the EWC to reflect a reduction in the workforce.

The workers' side highlighted that

- The agreement goes further than the directive because trade unions decided at an early stage that doing so was necessary in order to have a proper social dialogue, and that negotiation to conclude the agreement took 14 months.
- There cannot be any restructuring or closure of a plant in any country without decisions from the headquarters.
- To be efficient, the EWC have to lean on :
  - some adequate regulations,
  - a strong trade-unionism,
  - a real political will from the companies.

## Case 4: Ericsson

The case was presented by Mr Andersson (management) and Mr Hank van't Wout (workers).

### **The company**

The telecommunications group Ericsson, a Swedish-headquartered multinational company, is the largest supplier of mobile systems in the world. It is active in 140 countries worldwide. Ericsson is a global company with operations in about 120 markets worldwide. Its main markets are the USA, China and Europe. Around 40% of all mobile phone calls are made through its systems.

Ericsson provides total solutions to its customers ranging from systems and applications to services and core technology for mobile handsets. It has faced a challenging environment, changing drastically over the last 20 years from a monopoly situation until the 1980s, to deregulation and expansion of demand for mobile phones during the 1990s, and today where Ericsson has to compete for every contract.

Faced with a telecoms market which ran into severe problems, Ericsson embarked on a restructuring and cost-cutting programme to ensure its long term future in 2001. In total Ericsson reduced its global workforce by around 50% from around 100,000 to 50,000 workers worldwide (and 40,000 to 20,000 in Sweden alone). The company moved out of the handset business and established a joint venture with Sony to produce the handsets while Ericsson itself focused on systems as part of a strategy based on innovation, as the basis of the company's future growth, and rationalised its R&D sites.

Today, the number of employees all over the world is about 51,000, concentrated in Sweden with 22,509 employees, and the rest of Western Europe, with 11,601 employees.

### **EWC agreement**

The agreement setting up Ericsson's European Committee was signed in January 1995. It is a pre-directive agreement which was renegotiated in 2001.

The EWC has 27 delegates from 15 countries. Inclusion of representatives from new Member States has not yet been completed. It concerns essentially Poland and Hungary, where Ericsson has R&D activities.

The meetings are chaired by the Human Resources director and with the participation of the chief executive officer (CEO), chief financial officer (CFO) and chief operating officer (COO). The agreement foresees one plenary meeting per year and extra meetings can be organised if necessary.

An EWC working team comprising three management representatives and three workers representatives prepares the EWC meetings, coordinates issues which are subject to information and consultation and acts as the point of contact for all EWC-related issues.



The meetings are held in English and all documents are drafted in English as it is the company language. Personal interpretation is provided if needed. Members are offered a two-week intensive language course and given personal interpretation during meetings for the first three years in order to enable all members to follow.

The mandate of EWC members were extended from three to four years in the 2001 agreement to allow a better functioning of the EWC.

Issues subject to discussion in the EWC are included in a list, which goes further than the directive. These include:

- Changes within the company which have implications for employee interests in more than one of the EU member states.
- Transfer of activities from one country to another (after discussions between management and labour, a working understanding was reached, i.e. transfers affecting more than 100 people are subject to discussion in the EWC)
- Outsourcing, divestments and strategic changes which may lead to redundancies in the short term or long term.

As it is not always easy to determine whether information and consultation should take place with the EWC or with the local bodies, the EWC working team plays an important role in recommending how to handle information and consultation. Based on agreed criteria, it determines whether a change should be subject to information and consultation at EU level or not as well as the way to organise information and consultation of the EWC, i.e. through :

- a plenary meeting of the EWC,
- a meeting between EWC working team and part of the EWC.
- telephone or IT conference.

### **Functioning of the EWC**

The examples set out below illustrate the various ways used when handling worker information or consultation involving the EWC.

- The R&D concentration project

The R&D concentration project, which aimed at reducing the number of R&D sites worldwide from 80 to 25 illustrates the dilemma arising in connection with worker information and consultation in such cases. It was a global project affecting Europe.

Information that changes would occur in the coming 24 months was given to the EWC. However, detailed information could not be given at that stage as the inherent relationship between the products developed at different sites could mean that giving detailed information at EU level could lead to problems with local bodies. To avoid this, communication on the down-sizing had to be coordinated thoroughly.

Having given broad information to the EWC, at an early stage so as to have a global view of the issue, further information was given to the working team every 6-8 weeks. Furthermore, the EWC was informed in a full session by the group's CEO and the project leader. An extra meeting on the effects that changes in the structure would cause on the European scene was also organised.

A critical moment in the project occurred when the closure of sites in the US, Australia and Denmark had to be communicated to all the people affected at the

same time. In this situation, there was a “crisis”, as Danish local representatives claimed that the management had to inform and consult the local bodies before the EWC. Two extra meetings in the working team including local representatives and discussions on Danish and Swedish legislation in relation to the directive were carried out to resolve the issue. Similar difficulties were also encountered in Norway, where Norwegian legislation requires the management to inform local units as soon as aware of any changes affecting them.

This showed the difficulty to combine information/consultation processes and different legislative requirements at European and national levels, the national arena being the operational arena for restructuring processes.

- The IS/IT cost project

The focus of the IS/IT project was to cut costs, to concentrate on core business and to outsource non-core and supporting activities. In this case, the EWC working team was given information and the case was discussed at the annual EWC meeting. The working team provided good help when explaining the changes to the local members of the EWC.

- Group targets and group strategy

The EWC was informed about the organisation’s targets and how these would be measured in a meeting in Madrid earlier this year. Moreover, once a year, the top management gathers during a Global Management conference to discuss and develop the group’s strategy. A telephone conference was organised with the EWC within two weeks after this Conference took place, in order to inform the EWC on the global strategy and give opportunities to ask questions about the strategy.

- European equal opportunities award

The Ericsson equal opportunities award initiative from the EWC was launched in 1996/97 and ran for three years. The idea was to strengthen cooperation at the European level, making use of the networking opportunities in the EWC and to promote equal opportunities.

- Communication partnership for the future

A two-day seminar on “Communication partnership for the future” took place, in which all members participated. This seminar was sponsored by the European Commission.

### **Assessment of the EWC**

The Ericsson EWC has become a good channel for information and dialogue about central issues and has found pragmatic ways of handling the complexity of respecting information and consultation requirements at EU and national level.

The trade union speaker mentioned as points for improvement

- training for EWC members,
- the number of meetings as one plenary per year was not enough to let the EWC members get to know each other.

## **Case 5: Carrefour**

The case was presented by Mr Delenne (management) and Mr Furstenborg (workers, UNI-Europa).

### **The company**

Carrefour is the leading European distributor in retail and wholesale trade and the second at global level. The group has more than 10,000 stores in 30 countries. Most of the stores are located in Europe but it is also present in Latin America and Asia. Half of the current turnover is realised in France (€ 35,704 million out of a total turnover of € 70,486 million in 2003). Initially, the group mainly consisted of French-style "hyper-marchés" but the merger with Promodès diversified the format of its stores.

The number of salaried employees is about 419,000. More than half of the workforce is located in Europe, with the highest concentration in France and Spain (respectively 47.6% and 22.7% of the European workforce).

### **Negotiating the creation of the EWC**

The group's values are: freedom, responsibility, partnership, respect, integrity, solidarity and progress. Social dialogue is important in Carrefour and the group believes there need to be a balance to achieve social and economic progress.

Carrefour negotiated a pre-directive agreement to set up a European Committee on Information and Consultation (CICE) in the context of these values. The first agreement was signed with UNI-Europa on 31 July 1996. A first renegotiation took place in 2000 due to the merger with Promodès as the two EWCs were also merged. On 26 February 2002, the agreement was amended a second time to integrate new terms and conditions. The current agreement is valid until 31 July 2008.

The objective of the agreement is to promote good labour relations and social dialogue at EU level in Carrefour in order to provide information to workers throughout the Member States, gather their views and contribute to the coherence of the group.

### **Functioning of the EWC**

The CICE is a structure for dialogue and exchange of views on the group's economic, financial and social strategy in Europe. The mission of the committee is complementary to that of the different layers of national worker representation bodies, which it cannot substitute. Its function is not to look at issues specific to the national level such as pay or work organisation.

The CICE comprises representatives of management designated by representatives of the management board, representatives of Uni-Europa and representatives of employees elected or designated by trade unions.

The director-general of Human Resources chairs the meetings. UNI-Europa appoints two representatives, one as the secretary of the committee and another one as an observer. The number of worker representatives is limited to 30.

The breakdown of the 29 worker seats is as follows

<b>Country</b>	<b>Number of seats</b>
France	11 members
Spain	7 members
Belgium	3 members
Italy	3 member
Poland	1 member
Czech Rep.	1 member
Slovakia	1 member
Greece	1 member
Portugal	1 member

There is one plenary meeting of the CICE per year and a possibility to organize extraordinary meetings as was done in September 1999 on the merger with Promodès. The meetings are usually held in Geneva. The director general for Europe attends all meetings and the group's CEO every two years. The plenary meeting lasts for three days, including one day of preparations.

An overview of the agenda of the annual general meeting, to take place on 29-30 September 2004, was given. Items on the agenda included:

- safety in the working environment as violence at work is an important issue,
- objectives of the organisation and functioning of international purchasing,
- presentation of Carrefour Belgium,
- current and future activities of the Carrefour group and of Carrefour in Europe,
- analysis of competitiveness in Europe in a sector where changes are very rapid (openings and closures of shops, mergers, etc.),
- quantitative and qualitative analysis of the workforce,
- presentations of the new member states,
- impact of EU enlargement,
- the European social dialogue, and
- the declaration between EuroCommerce and UNI-Europa on employment of disabled persons.

Sub-groups of the CICE can be created, as was done, for example, on sustainable development with 3-4 meetings a year.

A steering committee, comprising the president of the European group's committee, the secretary, one UNI-Europa representative and members of the CICE proposes the agenda to the president, the secretary and discusses topical issues. It meets once or twice a year in Paris.

### **Assessment of the EWC**

From the management perspective, the following points were made.

- The organisation of meetings is a complex task due to the many languages and the documentation to be prepared.

- A good climate has prevailed. Almost all participants belong to trade unions affiliated to Uni-Europa which helps bring coherence among participants.
- The multiplication of layers in workers representation bodies is a factor of complexity and there is sometimes a risk of seeing specific local problems brought up in the CICE, and to use it as a court of appeal. This must be avoided as the CICE must remain a European body dealing with the group's activities.
- It is sometimes difficult to find European issues to put on the agenda as the commercial activities, organisation of work and regulatory framework are specific to each country.
- The margin of manoeuvre for information and consultation is very narrow in the case of a merger but when the company makes its own decisions on opening or closing a store, it is easier to inform and consult at an early stage. The merger with Promodès affected mainly activities in France and Spain and, to a lesser extent Belgium, where there was no overlap of stores. However important work was done to merge the business cultures as Carrefour was very decentralised and Promodès very centralised. There was also a negotiation to merge the divergent employee statuses.

The worker representative added the following remarks.

- The CICE in Carrefour is important but is not the only way social dialogue takes place in the group. Three years ago a global agreement was signed between UNI-Europa and Carrefour to cooperate in implementing the principles of the ILO declaration on fundamental principles and rights at work.
- Although Carrefour has to a large extent been a leader of good practice in this field, the group is not unique with its practices. There has been positive social dialogue emerging between UNI-Europa and various players in European retail and wholesales trade. This is due to the common interest between the social partners in the industry to develop the competitiveness of the whole industry through producing quality services for consumers, relying on competent personnel working under secure and good conditions.
- One special feature of the Carrefour global workers' rights agreement is that it is very operational. It commits both to the management and the trade unions to follow developments and try to influence situations already before conflicts arise. The relationship between management and trade unions is based on mutual trust and respect.
- The worker side appreciated the important investment in time and efforts made by the management to have serious consultation and dialogue in the EWC.
- Systematic presence of the president of Carrefour or of the director general for Europe and their readiness to engage in significant discussions and exchanges was an important success factor. There has never been a subject brought up by the worker or trade union representatives which the management had refused to discuss or answer.
- The fact that the trade unions had a non-antagonistic conception of the social dialogue was also crucial; for example, they strongly supported the merger with Promodès. This did not mean that there were no difficult issues but these were dealt with at local level.

Both speakers concluded that Carrefour was a good example of an EWC that could bring stability, commitment and a feeling among the workers that their efforts are appreciated and that they can make their voice heard.

## Case 6: Unilever

The case was presented by Ms Joba van den Berg-Jansen (management) and Mr Guenter Baltes (workers).

### **The company**

Unilever has 400 leading brands worldwide in the food, home care and personal care markets.

In 2003, Unilever had a world wide turnover of € 43 billion and a net profit of € 2.8 billion, 45% of which is made in Europe.

Unilever has 234,000 employees in approximately 100 countries, 25% of these work in Europe (57,000).

### **Negotiating the creation of the EWC**

For a long time, Unilever disapproved of EWCs. However, since 1985, the trade unions have organised European meetings and pushed for negotiations. Negotiations on creation of a EWC took finally place in 1995-1996, .

The discussions were difficult because there were persons on the employer side who questioned the necessity for such a body, arguing that the most important level was the local one. On the worker side, resistance also existed due to cultural differences in worker representation and the fact that some did not want to negotiate before the directive because they wanted to be able to fall back on the minimum requirements. An agreement was finally reached in 1996 (based on Article 13 of the directive). It foresaw a revision in 2000.

This revision coincided with a merger between Unilever and Bestfoods, whose worker representatives had to be integrated in the Unilever EWC. A revised EWC agreement was signed in November 2001. The revised agreement also organised the enlargement of the EWC to Eastern European countries (Czech Republic, Slovak Republic, Hungary and Poland), which had observer status until their full integration in the EU in May 2004.

The agreement applies to EEA countries.

Since 2001, the agreement has been of indefinite duration but it is foreseen to evaluate it every four years. An evaluation of the agreement is planned in 2005-2006.

### **Functioning of the EWC**

The Unilever EWC (UEWC) comprises worker representatives only. It does not include representatives of management. However, for plenary meetings between the UEWC and Unilever, there is a rotating chairmanship between management and workers.

The UEWC entails 35 worker representatives from 23 countries working in 14 different languages. Representation is proportional to the number of employees represented. Representatives are designated in accordance with national worker representation rules. The current composition is as follows.

Country	seats	Country	seats
Austria	1	Belgium	2
Denmark	1	Finland	1
France	3	Germany	4
Greece	1	Ireland	1
Italy	3	Netherlands	3
Portugal	1	Spain	2
Sweden	2	Switzerland	2
United Kingdom	4	Czech & Slovak republic	1
Hungary	1	Poland	2

Enlargement to eastern European countries reflects how business management lines are organised in these countries. Workers from Lithuania, Latvia and Estonia are represented by the Polish representative, the Hungarian representative also represents Slovenian workers and the Czech and Slovak Republic are regarded as one single economic area, and have one representative.

The UEWC meets at least once a year. The meetings usually take place in Rotterdam (Unilever Head Office). At the end of the plenary meetings, management and worker representatives issue joint statements. Full simultaneous interpretation facilities are provided. Training was provided to UEWC members in 1999, 2001 and 2004. Specific training was provided to the members of the new EU Member States to prepare them for joining the UEWC.

A European coordination committee (ECC) of eight persons prepares the work of the EWC. It comprises the chairman of the UEWC, six elected members and one member representing the eastern European countries on a rotating basis. The ECC also deals with day-to-day business between meetings. The ECC meets at least twice a year. The current pace of meetings is approximately one meeting every three months.

The aim of the UEWC is to act as a platform for

- consultation on issues of a transnational nature with European management representatives, and
- exchanges of experience and cultures to learn from best practices.

The UEWC works both reactively (responding to situations following on strategic decisions by management such as restructuring, sales, mergers or closures) and pro-actively to promote issues of importance to employees.

Working groups can be established as was done on UniClever (European framework to channel ideas of employees), share options, socially responsible restructuring, diversity, protection of personal data, and health and safety.

The UEWC agreement foresees specific provisions on key issues such as:

- a clause on the interpretation of the agreement (in case of differences of opinion, voluntary negotiations should take place in accordance with Dutch law);

- a definition of information (“The provision of data and the explanations of such data, orally or in writing”);
- a definition of consultation (“Exchange of views and establishment of a dialogue. Consultation will take place in the course of the normal decision taking process, in principle prior to the final decision, and will concern the principles underlying the decision. Except for exceptional circumstances where premature information and consultation would be prejudicial to the business interests of Unilever”);
- a list of subjects for information or consultation (“economic and financial situation, progress of the business in the different sectors, probable trends in employment, investments, significant organisational and structural changes, introduction of new working methods and production procedures, relocation of production and relocation of product lines, workforce reduction in or closure of operational units or major parts thereof as well as collective redundancies.”);
- a clause on confidentiality.

Unilever’s management believes that empowerment is about trust and that a balanced approach to information and consultation is more effective than a legalistic one. In practice, information is given to the UEWC on all topics listed in the agreement but also on further themes such as safety of employees, environmental protection, training, the situation of women.

Information is given simultaneously at the European and national levels. The information given to the ECC is far reaching but there are sometimes conflicts with the need to ensure confidentiality of the information for legal and/or corporate governance reasons.

The way in which the UEWC has worked both “reactively” and “proactively” has varied depending on the subject.

A number of pro-active initiatives were conducted by workers in the framework of the UEWC. Examples include:

- a Unilever European day of action in February 1999
- an UEWC requirement to suitably consider added value of selling and producing in all countries
- an UEWC six-point proposal for information and consultation suggesting new definitions for concepts such as national measure vs a European measure requiring the information and consultation of the EWC; consultation, “timely” information and consultation, relations between national and European statutory consultation, etc.

On responsible restructuring, Unilever worked in the following way: the management issued a brochure on restructuring, describing the way Unilever wants to handle consequences of restructuring for employees. It states, for example, that the sale of a production site should be given priority over a closure, mentions how it will approach training and outplacement issues, etc. This brochure was developed in consultation with the UEWC.

On the protection of personal data, Unilever and the UEWC issued a joint statement that was signed in January 2004.



## **Assessment of the EWC**

Positive and negative examples were given to illustrate situations where the UEWC functioned in a satisfactory way and where it did not.

Both management and employee representatives mentioned the “margarine business” as a rather negative example. According to the employee representatives the UEWC was not informed early enough of a major reorganisation of this business, which had consequences for three sites in France and Germany and led to the sale of another German site in 2002. The management side recognised that, at that time, there was a lack of linkage between the different corporate strategies.

Today, there is an acknowledgment by Unilever that production strategies are developed internationally. These strategies are shared and discussed with the coordination committee (ECC) in the presence of the highest responsible managers. The employee representative mentioned the case of the sale of “Unimills” as a positive example of socially responsible restructuring.

In conclusion, the worker representative believed that the functioning of the UEWC was broadly satisfactory and highlighted that the UEWC was now well informed by the management about the company’s strategy (also for the production) and that a good exchange of information on national issues was taking place. He also mentioned elements on which further efforts had to be made:

- increase mutual trust;
- languages;
- timely information and consultation.

The management representative concluded by saying that management and workers have engaged in a process of dialogue, which is built on trust. Trust should be enhanced by facilitating the process of information and consultation rather than by a legalistic approach seeking to further regulating it. Areas for practical improvement are:

- further building of relationship and trust
- further improving internal communication
- improvement of representatives’ English language skills
- training.

## Case 7: Henkel

The case was presented by Mr Rolf Schlue (management) and Mr Winfried Zander (workers).

### **The company**

Henkel is a German company founded in 1876. It is a family-owned company quoted on stock markets. It started its international operations in 1913 and is now active in 125 countries. Henkel is active in the sectors of home care, personal care and adhesives, sealants and surface treatment for consumers and industry.

In "Laundry and Home Care", Henkel is number three worldwide and market leader in continental Europe. In "Cosmetics and Toiletries", Henkel is number four in Europe. In "Adhesives, Sealants and Surface Treatment", it is world market leader. In "durable goods, maintenance and repair, packaging, automotive, electronics and metal division", Henkel technology is also number one on world markets.

In 2004, Henkel's sales amounted € 9,436 million (52% of which in Europe), it had 50,000 employees, 26,010 (51%) of whom are in Europe.

Henkel's values are:

- to be customer-driven, develop superior brands and technologies and aspire to excellence in quality,
- to strive for innovation and embrace change,
- to be successful because of its people,
- to be committed to shareholder value,
- to be dedicated to sustainability and corporate social responsibility,
- to communicate openly and actively,
- to preserve the tradition of an open family company.

The Henkel group joined the United Nations' Global Compact initiative in 2003. The spirit of the global compact, which has long been anchored in Henkel's vision and values, is now enshrined in its code of conduct and sustainability standard which are binding for all its employees.

### **Functioning of the EWC**

Henkel's EWC is called European Employee Council (EEC). The company chose to use Article 13 as a basis to the agreement creating this body because it provides freedom for the negotiations on the structure, content and procedure of the EWC and gives room to customise it to the company needs.

The EEC was set up in 1995. It covers all employees in EU member states, is composed of worker representatives only and is chaired by one of them.

The aims of the EEC are

- to improve information and consultation,
- to help the European integration and cooperation,
- to help the process of identification with Henkel,

- to enable an open dialogue to avoid and solve conflicts.

The EEC has the right to discuss upcoming decisions and to come up with recommendations before the final decision is taken. The agreement foresees that the EEC is informed only if more than two countries are involved in a decision. Otherwise bilateral discussions take place at country level.

If three countries or more are affected, the EEC is consulted on issues such as

- impact of divestments or acquisitions on employee status,
- restructuring of Henkel's Group or change in strategy,
- sale or closure of production plants or operations,
- change in organisation, infrastructure or IT environment.

The EEC meets in an annual conference lasting two days and a half and taking place after the annual shareholder meeting. During this annual meeting of the EEC and Henkel's management, the owner and top decision-makers provide first-hand information to the worker representatives in the EEC.

In addition, extraordinary EEC conferences or Steering Committee meetings can be organised if circumstances so require. One extraordinary meeting was held in 1999 to discuss the Cognis outsourcing and divestment from Ecolab. Another one was held in 2000 to discuss the consequences of the Euro which involved shared services. In 2001, extraordinary meetings were organised on two occasions. One to discuss a global restructuring leading to job losses in Europe resulted in a joint opinion of the EEC specifying that Henkel should apply its values in case of restructuring. Another one dealt with divestment from Cognis. Cognis workers would no longer be represented in the Henkel EEC but an agreement creating Cognis's own EWC was signed immediately after this extraordinary meeting. In 2002, an EEC meeting on the closure of a plant in Herent (Belgium) led to an agreement with the workers concerned on the proposed social plan.

The EEC has a Steering Committee which meets three times per year. In addition to preparing plenary meetings, it has a central role in the information and consultation process in between meetings. Worker information and consultation follows different scenarios depending on the number of countries affected. The steering committee plays an important role in deciding whether or not to convene the full EEC in exceptional circumstances.

There are also regular informal meetings between the president, the secretary of the EEC and the management of Henkel.

The topics for information or consultation are the following:

- economic and financial situation of the group,
- cross-border initiatives such as reorganisation, restructuring, acquisition, divestment, infrastructural topics,
- development of employment,
- safety, health, environment, quality,
- training and development
- other relevant topics for the target group, such as strategy, values, code of conduct.

In practice, information is given on any critical issue, even if it is not foreseen by the agreement. There is a broad exchange of information verbally and in writing and an intensive use of e-mail to assure timely information between meetings.

Countries with more than 100 employees have the right to send one representative to the EEC. The allocation of additional seats is based on a system of successive thresholds with one additional seat being granted per 1,000 employees (up to a certain limit). The current composition of the EEC is the following:

Country	seats	Country	seats
France	3	Czech republic	1
Benelux	3	Spain	2
Ireland	1	Portugal	1
Italy	2	Germany	5
Austria	1	Greece	1
Nordic countries	1	UK	2
Slovenia	1	Poland	2
Slovakia	1	Hungary	1

Countries with more than one seat are invited to send a representative to the steering committee (currently France, Italy, Germany, Spain, UK and Poland).

Enlargement of the EEC implied integrating representatives from nine new countries (Poland with 1,138 employees, Hungary with 709, Slovenia with 645, Czech Republic with 273, Slovakia with 225 and Estonia with 135). Not all of these countries had elected workers representatives. Ways had to be found to deal with those situations. In November 2003 a meeting of Human Resources Directors was held in Vienna and the President and secretary of the EEC decided on the process. In December 2003, the election process was defined. As a result, during spring 2004, new Member States' delegates attended a Steering committee meeting held in Vienna. In May 2004, the new delegates were integrated in EEC and in June 2004 an enlarged EEC conference took place in Düsseldorf. No worker representative was identified for the Baltic states.

### **Assessment of the EWC**

The EEC has brought benefits to both sides in terms of:

- improved information and communication,
- enhanced integration in processes (Henkel now has an HR and industrial relations strategy fitting into the business strategy in all countries),
- having a "shared view" of the company,
- allowing to get a second opinion by consultation.

However, the process to arrive to a joint understanding was sometimes tough and difficult. There are also costs due to the complexity associated with different languages, diversity of cultures, background and philosophy, etc.

For the worker side, the areas for improvement are the following:

- language skills,
- extension of the duration of preparatory meeting for internal discussion,
- information flows about EEC activities in between meetings.

For management, the areas for improvement are the following:

- achieving a common understanding of timely information,
- defining the reasonable duration of a consultation process,
- reducing translation costs and invest instead in language and intercultural training

The relationship and cooperation between the EEC and Henkel's management is seen as a dynamic process involving learning and improving on a permanent basis. The text of the agreement establishing the EEC provides a broad framework designed to do so. This pragmatic approach based on mutual trust is deliberately preferred to over-engineering the text of the agreement. The agreement has never been renegotiated because the management and workers always found practical solutions to deal with mutual problems. The steering committee plays a crucial role as an operational tool.

## Case 8: GKN

The case was presented by Ms Fowler (management) and Mr Stuebner (workers).

### **The company**

GKN is an engineering group with 38,000 employees and 12,000 more workers employed in joint ventures worldwide. 21,000 (54%) of these workers are located in the European Union, and 46% outside Europe (12,000 in America and the remaining 5,000 in the rest of the world). The breakdown of the workforce between the three different business lines of the group is as follows:

- 19,000 people are involved in the driveline division (automotive / mechanical engineering) which has 40% of world market share in transmission pieces and production sites in UK, Germany, Italy, France, Spain, Sweden, Slovenia and Poland,
- 13,000 workers are involved in the off-highway (building- and agricultural machinery), auto components and powder metallurgy division in the UK, Germany, Italy, Spain, Denmark, and Sweden,
- 5,500 workers are involved in aerospace services in the UK and Germany.

GKN has very diversified portfolio of products with some synergies but also a big contrast between production and services divisions.

### **Negotiating the creation of the EWC**

GKN was one of the first UK engineering groups to establish an EWC. Its article 13 agreement was negotiated at a time when the Treaty's social chapter was not applicable to the UK. GKN's EWC is called "European Forum". The EMF (European metalworker federation) had an important role during this "building" phase but is not a signatory of the agreement as the philosophy is to create a forum owned by the management and workers of GKN itself.

The negotiations took two years. The different phases of the whole process were the following:

- 1986: first information by IG Metal on the EWC issue to the German works councils,
- 1993: a meeting was organised by the European Federation of Metalworkers (EMF) to reflect on the creation of a European worker representation body,
- 1994-95: start of negotiations
- 1995: negotiations on the agreement by all the worker representatives in the forum,
- 1996: first meeting of the Forum and ratification of the agreement.

The first agreement was of definite duration until 2002 and the second agreement was negotiated in 2001. This renegotiation lasted for 12 months. The renegotiated agreement is of indefinite duration and entails a clause for regular review and a possibility to terminate it if either side so wishes.

## **Functioning of the EWC**

The preamble of the Agreement specifies that GKN's Forum complements the local consultation mechanisms and recognises that the primary mechanisms for information and consultation will continue to operate at local level. The Forum holds an annual meeting within two weeks of the annual meeting announcing the group's results. Extraordinary meetings are possible.

The Forum has members from nine different countries, with a threshold of minimum 100 workers to get a seat. It covers workers from subsidiaries. Workers in joint venture companies are not members of the Forum but are informed as required by the EWC Directive.

The Forum membership is mixed with 30 employee members maximum and 25 management representatives (top management and HR directors). The first nine seats are distributed to all countries having more than 100 employees. 21 seats are then distributed on a proportional basis depending on the number of employees represented. Reallocation of seats is made before each annual forum. The possibility to have experts/advisers in the meeting is foreseen. National rules apply for the nomination of representatives. Members are mandated for three years, the mandate is renewable. Changes are fairly frequent. In practice, at each annual meeting there are a minimum of three new employee members. New countries can attend a meeting as observers before the allocation is recalculated. There are also alternate members and it is the responsibility of the full members to keep them informed so that they can substitute during a meeting if necessary.

The seats are currently allocated as follows:

<b>Country</b>	<b>seats</b>	<b>Country</b>	<b>seats</b>
Germany	9	Slovenia	1
UK	8	Sweden	1
France	2	Poland	1
Spain	3	Denmark	2
Italy	3		

In the UK, three seats are "reserved" for non-union members (currently two in practice), given the specificity of worker representation in this country.

Last year, finance training was provided to Forum members as part of the annual meeting. This year this practice will be repeated, probably looking at the European Business Excellence Model which is used across the GKN Group.

There is an Administration Sub-Committee (ASC), composed of three members representing the countries where there are the largest number of employees. The role of the ASC is to decide on the annual forum meeting date, to draft the agenda, etc. The possibility for extended meetings of the ASC (enlarged to countries affected by the issue discussed) is foreseen. This possibility is used, for example, to also prepare extraordinary meetings.

The agreement requires "timely" information and consultation but the timing of the process will vary depending on the issue concerned and of the confidentiality obligations stemming from stock market rules; for example, in the case of an acquisition, the process will be as follows:

<b>Stage of Process</b>	<b>Decision status</b>	<b>Communication options</b>
Concept	Idea stage – limited knowledge	Stockmarket sensitive - no possibility of sharing information
Memorandum of understanding	Legal team involvement	
Heads of agreement	Outline details available – no commitment	
Due diligence	Research phase	Announcement possible, but limited information to share because of due diligence process
Contractual negotiations	Option to pull out, from both sides	
Exchange of contracts	Decision made, but details still to be defined	Full disclosure possible
Legal agreement	Final terms agreed	

An ordinary meeting of the Forum usually last three days and follows the following format:

- A training session, as detailed above (for example, training by an external consultant on finances or on business excellence),  
or
- A visit of a production site linked to a specific theme
- A preparatory meeting of the workers representatives dealing with
  - changes in mandates,
  - exchange of views on topical issues (social security, working time, training)
  - preparation of questions to be asked to management .
- A joint plenary meeting, chaired by the HR director of the group and involving EU business lines leaders with
  - management presentations on business developments in each Division
  - discussions on economic results and evolution in the different business lines, human resources and employment evolution, health and safety systems;
  - discussions on cross-border issues.

### **Assessment of the EWC**

The agreement is merely a point of departure for an evolving process. The overall assessment of the functioning of the forum was positive. Through practical experience, lessons have been learned on how to better communicate the outcomes of the Forum, how to manage the different kind of consultations and how to deal with extraordinary meetings. Some of these lessons were translated into changes introduced in the second agreement. For example with regard to:

- definition of the scope of the agreement and criteria for the inclusion of employees representatives in the Forum,
- the definition of national vs European issues,
- clarification on which body (Forum and/or ASC) should be informed and when,
- facilities to ensure communication between members (in particular e-mails),
- provision of training.



Both the management and workers representative highlighted the difficulty to define what timely information is. In the above-mentioned example of an “acquisition”, during the diligence process, the consequences of the acquisition on employment are difficult to know. The Forum is informed and consulted when full disclosure of the project is possible.

From the management side, the positive elements in this evolution were:

- improved participation to the meetings and improved communication
- increased awareness of the importance of the Forum amongst senior management
- better clarity of roles and responsibilities
- more openness in debate.

However, the following factors of complexity were identified:

- difficulty in finding venues providing the interpretation facilities needed close to the factories,
- high cost of meetings and the difficulty to relate this cost with an impact on the final bottom line ( €150,000 for the annual plenary forum meeting with 30% for the venue, 15% for communicating outcomes, 55% for translation, interpretation and sound equipment),
- the timescale stemming from the administration of each meeting, which makes short-notice consultation difficult. It takes three months to prepare an annual meeting and minimum two weeks to convene and organise a sub-committee meeting and three weeks for an extended sub-committee meeting. Communicating on the meetings is crucial and requires time. At each meeting, workers and management agree on the content of a communiqué. A newsletter with this content is then produced and translated into nine languages. The 20,000 translated and printed copies take a month to get out. Using other means such as electronic tools and video conferences to alleviate this problem is not a real option because of translation and interpretation needs.
- differences in cultures and industrial relations traditions as well as workers rights.

For the worker side, the improvements made in the second agreement compared with the first one were positive. However, further improvement or increased clarity with regard to the following issues is needed:

- distinction between national vs European issues,
- competences (issues for information vs issues for consultation vs issues for co-determination),
- inclusion of employees from joint ventures,
- inclusion of workers from current EU candidate countries,
- consideration of the national information and consultation systems when dealing with European issues (i.e. priority-setting between information and consultation at European and national levels),
- possibilities to report to worker representatives who are not present in the Forum, notably in the UK,
- improvement of the legal implementation possibilities.

## Case 9: EDS

The case was presented by Dr Sinclair (management) and Mr Edelberg (workers).

### **The company**

EDS is an American-owned multinational based in Texas, with a European tier of leaders. Its core business is IT, applications and business process services and IT transformation services. The group also includes a management consultancy division (AT Kearney).

EDS has over 120,000 employees in 53 countries, 42,000 of whom work in Europe, the Middle East and Africa (EMEA).

When bidding for a client seeking to outsource its IT system to EDS, employee representatives from the client are invited to discuss with EWC members to get a feeling of what it is like to work for EDS.

### **Functioning of the EWC**

The EWC was established in 1996. It holds three plenary meetings a year with a possibility to have extraordinary meetings as required. The working language of the EWC is English.

The EWC is composed of 29 representatives. As well as covering every country in the EU plus Switzerland and Norway, following enlargement in May 2004, the Council was extended to Hungary, Czech Republic and Poland.

The principle is that each country has at least one representative and the biggest countries have more seats. For example Greece has one representative for around 20 employees while the UK has four representatives for about 16,000 employees..

The chair of the EWC comes from the employee side and there is a co-chair from the management side.

A steering committee (SC) comprising five EWC members allows for fast-track consultation. It meets approximately every four to six weeks. Teleconferences are also held.

Typically, an EWC meeting entails:

- half a day devoted to representative training and expert input,
- a full-day preparatory meeting for representatives during which they are briefed by the HR Director EMEA on relevant issues. The representatives prepare their questions and their presentations for the following day,
- a full day of dialogue in the presence of six to eight European business leaders/top-level managers. A list of action points is drafted after the meeting, which is maintained by the SC,
- half a day for a post-meeting for representatives at the end of which they can communicate their feedback to the management co-chair of the EWC.
- Distribution of a post-meeting communiqué translated into several languages transmitted to all staff as soon as possible after the meeting.

The EWC is informed and consulted on European issues involving at least two countries, not national ones.

The agreement specifies that the EWC is informed and consulted on issues related to:

- structure, activities, performance and strategies
- any issue of mutual benefit to Council and management

The issues covered include:

- economic and financial situation
- developments in production, sales, employment and organisational structure
- trends in working methods and processes
- new management operating processes
- structural changes in EDS's European organisation
- policy and philosophy.

However, this list is interpreted in a flexible way.

In 2004, the EDS EWC has moved towards a more strategically planned operation. On the worker side, members of the EWC defined a strategy to strengthen their position inside the EWC and make full use of its potential.

The defined plan included three steps.

- Step 1: aimed at establishing the base by strengthening the link between the national representation bodies, employees and the EWC.

The objectives sought were to

- increase the self-awareness of EWC representatives' roles and responsibilities,
- validate quality and effectiveness of meeting "norms for engagement"
- identify areas for improvement.

The lessons learned were that there was

- a need to increase self-awareness through training, internal audit, employee presentations (made during the EWC dialogue day meetings) and to encourage individuals to take responsibility,
- diversity, pluralism and "multi-level games" were a challenge.

- Step 2: consisted in building on common ground. This entailed in-depth discussions with the management on their expectations for the EWC as well as with local works councils and unions and employees.

The objectives sought were to

- anchor the EWC in business,
- ensure that management actions were directly taken from employee presentations,
- set the direction and prepare for change.

The lessons learned were that there was a need to

- do the homework,

- build on political common ground (e.g. corporate social responsibility),
  - develop shared language for account close-downs, acquisitions and restructuring.
- Step 3: will seek to enhance Culture and Communication and needs to be discussed and further developed by EWC members before the end of 2004.

The objectives as currently defined are to

- increase the ability to reach all employees including local management,
- communicate challenges to external stakeholders such as OECD, EU, ILO, UNICE, ETUC, etc.

The lessons learned so far are that

- there is a need to recognise and plan the timeline to allow cultural change,
- shared value is a critical foundation to cultural development and effective dialogue.

### **Assessment of the EWC**

From the management perspective, the assessment of the EWC is positive. Council members participate in good faith – for the benefit of employees and the business in Europe. The EWC is part of the solution. The need for change is broadly accepted. Members speak the same language and the contributions are constructive. A major added value of the EWC for business is that it is a “referenceable” body when bidding for contracts, notably with public authorities.

The worker representative highlighted that the complexity of building an effective EWC requires management support and strategic planning. Both internal and external stakeholders can make a valuable contribution to EWC effectiveness provided that the EWC

- gathers the lessons learned,
- identifies political common ground and consults on steps to be taken,
- invests in building social capital,
- builds on multiple channels for employee involvement and communication,
- makes the EWC part of the business culture.

Both sides agreed that a crucial element is to build common rules of the game based on a shared vision of the EWC, engaging employees and supported by the corporate management.

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