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Thorsten Schulten

„European Works Councils“ -

**New Forms of European Labour
Relations Regulation?**



FEG am Institut für Politikwissenschaft des Fachbereichs Gesellschaftswissenschaften
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„European Works Councils“ - New Forms of European Labour Relations Regulation? ¹

Summary:

Following the adoption of the "Council Directive on the establishment of a European Works Council" (EWC) in September 1994 we can speak for the first time of a transnational system on labour relations based on European legislation. Even if the extent of the directive's regulatory capacity so far seems to be relatively poor, it may set in motion a certain dynamic in the process of formation of transnational labour relations at the level of Transnational Companies and Corporations (TNCs).

The Single Market Programme of the mid-1980s was the beginning of a fundamental restructuring process for European capital. Meanwhile, more and more companies have developed a European-wide integrated production network with various consequences for the national and local labour relations systems: Employee representatives and trade unions in the emerging "Euro-Company" are threatened by an increasing pressure of "social dumping" because of intensified competition between the different subsidiaries of a single TNC. The "Euro-Company's" management is forced to control and co-ordinate an ever more complex organisation and must find the best combination of using the various locational advantages as well as transferring the company's own "best-practice" experiences.

European Works Councils may become a new transnational regime to regulate labour relations in the "Euro-Company" and thereby help to support and stabilise a European-wide integrated production network. The development of a new transnational "micro-corporatism" would at the same time support the contemporary trend of undercutting national, regional and/or branch level collective bargaining through a decentralisation of labour relations and a growing importance of enterprise level regulation.

Finally, labour relations in a "post-fordist" Europe will continue to erode the current mode of regulation in the different national systems. However, the development does not lead to a converged European regulation system. The emerging structure can be described as a "neo-voluntarist" system of "transnational pluralism", where new TNCs ensure company-specific regulations systems with relatively privileged working conditions for the core workforce, while for other employees in non-TNC-companies there will still be no European social regulation able to compensate for the growing limitations of the widely deregulated national regulation systems.

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1. The EU-Directive on European Works Councils

Discussion on the necessity of transnational workers' representation in European-wide operating TNCs date back to the late 1960s (Schulten 1992). In 1970 the European Commission for the first time proposed to establish a "European Works Council" (EWC) as part of the intended formation of a "European Company Statute". The suggested structure of the EWC at that time was mainly inspired by the German works council system including not only information and consultation but also further reaching co-determination rights. Subsequently, the European Commission was often accused of trying to "germanise" European labour relations. The proposal failed not only because of the resistance of the European employers organisations, but also due to strongly diverging political and ideological orientations concerning industrial democracy among the various national trade unions (Nagels/Sorge 1977).

In the early 1980s, the European Commission tried to find a new approach with the so called "Vredeling-Directive". Compared to earlier proposals this new directive was limited to certain transnational information and consultation rights. Nevertheless, a new transnational labour relations' mechanism was to be established covering all TNCs with important European activities and, therefore, was no longer connected with a European Company Statute. However, the "Vredeling-Directive" never quite had the chance of being adopted by the European Council, not only because European employers started a massive lobbying campaign against it, but also - and mainly - because the political climate was changing in most European countries: Social-democrats were replaced more and more by a new type of neo-liberal political hegemony.

The recent directive on "EWCs" was developed in the context of discussions on the "social dimension" of the European Single Market Programme and could be seen as probably the most important practical result of the Commission's Social Action Programme of 1989. The political process between the first presented draft of the directive in December 1990 and the finally adopted version in September 1994 has been described elsewhere in detail (Gold/Hall 1994; Schulten 1995b). Until the ratification of the Maastricht Treaty, it seemed that the directive would have to suffer the same fate as its predecessors and the adoption would be prevented by the combined strength of European employers and the conservative British government blocking its adoption. The situation changed substantially after the ratification of the Maastricht Treaty. Because of the Maastricht Social Protocol and the special "opting-out" arrangement for the United Kingdom, the passing of the directive was suddenly on the horizon of the European Council of Ministers. Quickly adjusting to the new situation the principle European employers organisation, UNICE, so far strongly opposed to any proposal for a legally binding EWC, offered to negotiate a common European collective agreement on the issue for the European Trade Union Confederation (ETUC), instead of demanding a European directive. In practice the gap in political positions between the European "Social Partners" was too large to be bridged, negotiations failed before they really began. Finally, the European Council decided

to enact the directive under the Maastricht Social Protocol where it only needed a qualified voting majority among eleven member states.

The current adopted directive is literally called "Council Directive on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups for the purpose of informing and consulting employees" (Council 1994). The title's emphasis is characteristic: In contrary to the notion of the 1970s, the present directive is not defining a single uniform model of a EWC. Instead it is referred to the "principle of autonomy" of the social actors. Therefore, the directive allows "representatives of employees and the management of the undertaking ... to determine by agreement the nature, composition, the function, mode of operation, procedures and financial resources of European Works Councils." (Council 1994: 65) This means that social actors within a single TNC are almost completely free to negotiate any kind of EWC they want. This also includes the possibility to refuse the establishment of a EWC or to agree about another "procedure" on information and consultation which, for example, could mean the use of already established national communication channels to inform the employees about European affairs (Gold 1994). This "menu character" of the directive (Streeck/Vitols 1993: 18) suits by and large the position of the European employers who always criticised the "centralistic" and "bureaucratic" feature of the EWC and have instead advocated for "flexible", "decentralised" and less institutionalised information and consultation procedures (Multinational Business Forum 1993; Munz/Nerb 1994). Under the new directive the concrete framework of an established EWC will be the result of a complex bargaining process reflecting the political power and the particular interests of the different social actors within every single TNC:

Only if after a period of three years of negotiation the social actors are not able to find a common agreement, will the directive's so called "subsidiary requirements" case automatically be put into force (Council 1994: 71). These "subsidiary requirements" define a kind of minimum standard model of a EWC: There should be a EWC with a minimum of three and a maximum of 30 members including at least one employee representative from every national company organisation in the European Union member states (with the exception of Great Britain, which is not covered by the directive). The EWC has to meet at least once a year with the European central management for the purpose of information and consultation on various issues such as economic, financial, structural and social developments of the TNC. Additionally, when there are "exceptional circumstances", for example "in the event of relocations, the closure of establishments ... or collective redundancies" there should be "as soon as possible" an extra ad-hoc meeting, where employee representatives must be consulted. However, the directive emphasises that this extra meeting "shall not affect the prerogatives of the central management", which in other words means that the employee representatives have no legal rights to block management decisions. Finally, before the official annual meeting, employee representatives have the right to come together without the presence of the management. This is so far the

only legally guaranteed opportunity for the employee representatives to meet independently from management for a common exchange of views and an autonomous policy development.

In summary, the directive only defines a quite limited and relatively vague model of a EWC, while leaving most of the concrete arrangements to the bargaining process of the social actors in every single TNC. Therefore it can be supposed, that after all of the 1,200 or so TNCs affected by the directive (Sisson et. al. 1992; Wortmann/Dörrenbächer 1994; EGI 1995) have established their EWCs (probably at the end of this century) there will be a great variety of company-specific, tailor-made models and arrangements. The current ongoing process of implementing the directive in national legislation of the EU member states - which has to be completed by September 1996 - will further widen the scope of different EWC's models because of the national latitude of interpretation in a number of directive's provisions (e.g. the financial resources for the EWC). All in all, the directive can be interpreted as a very clear expression of fundamentally changing patterns and political motivations of European Social Policy: While in the 1970s European Social Policy was mainly motivated by a social-democratic/corporatist approach to harmonise European social regulation and to create a European welfare state, with the neo-liberal agenda in the 1980s the pattern changed radically to an approach of "neo-voluntarism" (Streeck 1994). "Neo-voluntarism" is characterized by „an emerging commitment to a decentralised regulatory regime with a preference for 'soft' over 'hard' law, and 'private' over 'public' order operating under a 'variable geometry' of participants that are protected from central intervention by ample opportunities for 'opting out', as well as by a general presumption of precedence of both market forces and local traditions over universalistic normative regulation" (Streeck/Vitols 1993, 18f.).

2. European Works Councils in Practice

To get an idea of the potential diversity of the prospective EWCs it might be useful to look at practical experiences, which have so far been collected in around 70 officially established EWCs based on "voluntary" agreements. From the trade union side there has been already in the 1960s strong initiatives to build up transnational co-operation structures within TNCs. But these bodies, known as "World Works Councils", were never officially recognised by management and had - contrary to the expectations of some international trade union leaders (Levinson 1972) - nearly no practical influence on the regulation of labour relations. Since the mid-1970s most of the "World Works Councils" have disappeared (Tudyka 1985). In the second half of the 1980s a few French Corporations, which were mostly state-owned and had close relations to the French socialist government, started to build up European information committees (Rehfeld 1993, 1995; Lecher 1995). For the first time transnational forums on labour relations existed within TNCs, which were based on voluntary agreements between the

company's central management and employee representatives of the various national subsidiaries. After the announcement of the first draft of the EWC directive in 1990 the European trade unions started a massive campaign on the issue, organised various European meetings for employee representatives of the same TNC and forced employers to set up EWCs. But until 1994 most of the European employers strongly opposed the whole EWC concept. Therefore there has been voluntarily established EWCs only in approximately 30 companies that time (Table 2). After the final adoption of the EU-Directive the situation changed dramatically. Now more and more employers are interested in a "voluntary agreement" with which they can bypass the Directive's provisions. In autumn 1995 central management in approximately 70 TNCs officially agreed to have a kind of EWC on a voluntary base (Table 1).

Despite the fact that the existence of EWCs is a relatively new phenomena, there are already a significant number of analysis and empirical studies on that issue (see for example: Gold/Hall 1992; Marginson 1992, Bonneton 1994; Stoop 1994; Dörrenbächer/Wortmann 1995; Hall et al 1995; Lecher 1995; Krieger/Bonneton 1995; Schulten 1995b). A summary of this work has to mention at least five important points:

1. All the studies confirm a large variety and diversity among existing EWCs models. Different titles of the EWC, such as "*European Employee Forum*", "*European Economic Committee*", "*Structure for European Social Dialogue*" etc. already reflect the fact that there are numerous differences concerning the composition of the EWC, its mode of operation, the degree of institutionalisation, defined tasks and subjects of the agreement and - probably most importantly - the real chance for employee representatives to influence the company's development on the European level.
2. Authors like Gold and Hall (1992) emphasised at an early stage of discussion, that besides all of the diversity, there is something they called the "basic model", which is a EWC, in which central management and national employee representatives meet at least once a year for the purpose of information on the company's general economic and social development. This very poor record of a EWC is probably better-named a "minimalistic model" because it lacks any consultation rights and therefore even falls behind the "subsidiary requirements" of the EWC-directive. Krieger and Bonneton (1995: 199) found in their study on 35 voluntary agreements that only three explicitly formalised the right of early consultation in cases of upcoming important decisions. This right potentially has significant consequences for the workforce, in so far as employee representatives have a real chance to influence management's strategic planning. All the other EWC agreements only talk about "*information*" or mention terms such as "*exchange of views*", "*social dialogue*" or even "*consultation*" in a very vague way.

Table 1: "Voluntary" Agreements on European Works Councils

Company	Home Country	Activity	Date established
Accor	F	Hotels & Catering	1994
AGF	F	Insurance	1991 (1994)
Bouygues	F	Construction	1995
Bull	F	Information Technology	1988 (1992)
Crédit Lyonnais	F	Finance	1994
Danone (BSN)	F	Food Processing	1987
Danone (BSN)	F	Glass	1990
Elf Aquitaine	F	Petrochemicals	1991 (1994)
Générale des Eaux	F	Construction Utilities	1993
Lafarge Coppée	F	Cement	1994
Lyonnaise des Eaux	F	Water Distribution, Construction	1995
Pechiney	F	Containers	1990 (1992)
Renault	F	Motor Manufacturing	1993 (1995)
Rhône Poulence	F	Chemicals	1990 (1994)
Saint-Gobain	F	Building Materials	1988 (1992)
Schneider	F	Holding Company (incl. Electronics)	1993
Thomson CE	F	Information Technology	1985 (89/90/92)
Thomsen CSF	F	Military Technology	1993
Usinor Sacilor	F	Steel Production	1994
ArgEvo	D	Chemicals	1994
Allianz	D	Insurance	1989
BASF	D	Chemicals	1995
Bayer	D	Chemicals	1991 (1994)
Beiersdorf	D	Chemicals	1994
Bertelsmann	D	Media	1994
B Braun Melsungen	D	Chemicals	1994
Continental	D	Tyres and Rubber	1991 (1992/1993)
FAG Kugelfischer	D	Machinery	1995
Grundig	D	Household Appliances	1993
Henkel	D	Chemicals	1995
Hoechst	D	Chemicals	1991 (1994)
Kaefer Isoliertechnik	D	Insulation	1995
Preussag	D	Non-ferrous Metals	1995
Schmalbach-Lubeca	D	Packaging	1992 (1993)
Schering	D	Chemicals	1994
Volkswagen	D	Motor Manufacturing	1992 (1995)
Borealis	N/SF	Petrochemicals	1994
Electrolux	S	Household Appliances	1995
Ericson	S	Communications Equipment	1995
Hafslund Nycomed	N	Medical Products	1995
ISS	DK	Cleaning Services	1995
Kone	SF	Lift Manufacture	1995
Myllykoski	SF	Paper	1994
Nokia NCM	SF	Communications Equipment	1993
Norsk Hydro	N	Chemicals/Aluminium	1994
SKF	S	Ball-Bearing Production	1994
Stena Line	S	Sea Transport	1993
Volvo	S	Motor Manufacturing	1993 (1994)
BP Oil Europe	UK	Petrochemicals	1994
Coats Viyella	UK	Textiles	1995
Marks & Spencer	UK	Retail	1995
United Biscuits	UK	Food Processing	1994
ENI	I	Energy and Chemicals	1995
Eridania Béghin-Say	I	Food Processing	1995
Italcementi	I	Building Materials	1995
Merloni Elettrodomestici	I	Household Appliances	1993
PetroFina	B	Petrochemicals	1995
Mayr Melnhof	A	Paper and Cardboard	1995
Airbus Industries	F/D/E/UK	Aerospace	1992
Eurocopter	D/F	Aerospace	1992
Europipe	D/F	Steel Pipes	1993
Eurotunnel	F/UK	Transport	1994
Lever Europe	NL/UK	Detergents	1993
Nestlé	CH	Food Processing	1990
CPC	USA	Food Processing	1994 (1995)
Honda	J	Motor Manufacturing	1994

Source: European Works Council Bulletin, Preview Issue, Winter 1995

3. TNCs with already existing EWCs have, in around 70 Percent of the cases, their headquarters in France or Germany (Table 2). The fact that the early prototype EWCs all came from French companies explains that the French works council system probably has the greatest influence on the whole EWC discussion and even on the Commission's directive. The overwhelming majority of existing EWCs conceive themselves as joint management and employee representative bodies (like the French "*comité de groupe*") rather than a body with employee representation only (like the German "*Konzernbetriebsrat*") (Krieger/Bonneton 1995: 193). Even in many German companies (for example in most of the firms from the chemical sector) the chosen EWC model is much closer to the French works council system. This obviously has to do with the fact, that the employers have no interest in giving a EWC the right to participate in management's decisions. Even the rather exceptional EWC agreement at Volkswagen, which is probably the closest case to the German works council system, contains no co-determination rights (Schulten 1992; Mertes 1994).

Table 2: "Voluntary" Agreements on European Works Councils (Summary)

Country of origin	Number	Sector	Number	Date established	Number
France	19	Metal Industry	26	Before 1990	5
Germany	17	Chemical Industry	20	1990	4
Scandinavian Countries	12	Food Industry	5	1991	5
Great Britain	4	Construction Industry	4	1992	4
Italy	4	Financial Services	3	1993	11
Belgium	1	Transport	2	1994	18
Austria	1	Hotel/Restaurants	1	Before	
Switzerland	1	Communications	1	September 1995	19
Japan	1	Others	4		
USA	1				
Transnational Joint-Ventures	5				
Total	66	Total	66	Total	66

Source: European Works Council Bulletin, Preview Issue, Winter 1995

4. Most of the companies with existing EWCs belong to the metal or the chemical industry (Table 2). This has partly to do with the simple fact that a large number of TNCs are operating in these sectors. Another reason may be the relatively strength of trade unions in these sectors. Finally it is likely that TNCs in the metal and chemical industry are among the companies who already created the most European-wide integrated production networks. Marginson (1992) suggests that the "organisational effect" has an important impact on the willingness and the interest of a TNC central management to build up a European-level labour relations forum. Hence it is remarkable that most of the TNCs with existing EWCs already have a very clear European Business strategy and very often have established a corresponding European management structure.

5. The initiative to build up a EWC in most of the cases came from employee representatives and the European trade unions. Nevertheless, in a few companies even central management took the initiative. This is more or less true for some of the French cases (Rehfeldt 1995) and for some other, mainly American and British, companies (Marks & Spencer, CPC, Lever Europe etc.). With the adoption of the EWC-directive, it could be expected that particular companies who so far were strongly opposed to EWCs will come forward with their own proposals to keep the whole process under management's influence. The latter happened very recently, for example, in a few Japanese companies such as Honda, Matsushita or Sony.

The problem with most existing studies on EWCs is that they mainly focus on what is said in the *formal* agreements but very often know only little about what really happens *in practice*. There is obviously an important research gap on in-depth case studies which allow for a realistic picture of the EWC's practical side, inclusive of all its tensions and contradictions coming from the different social interests of the various social actors. Considering that the whole process of establishing EWCs is still at its beginning it may be particularly interesting to look at the few "more advanced" examples, which already established a quite sophisticated arrangement of European-level labour relations.

One of the most remarkable examples is probably the case of the French Food Corporation "Danone" (former named "BSN") (Schulten 1996). The Danone European-level labour relations forum has existed since 1986. Meanwhile the co-operation between Danone central management and employee representatives from the various European subsidiaries has been developed quite intensively, including the adoption of four "European collective framework agreements" on the issues of training, women's equality, employee's basic information rights and basic trade union rights in every Danone subsidiary. The "framework agreements" all follow the same pattern whereby a general task is defined at the European level, while implementation takes place at the national or local level with consideration of the particular circumstances in each company and country. All in all, Danone seems to be the first case where first steps into the direction of a company-specific "European collective bargaining system" have been made, which in the future could slowly bring a "step by step" harmonisation of certain labour relation issues in all European Danone subsidiaries.

Low M-L

High M-L

<p>II</p> <p>Digital Equipment Gillette Ferrero Rothmans Coca-Cola</p> <p>Unilever Tulip General Motors</p>	<p>III</p> <p>Volkswagen Bull Renault Volvo Grundig/Schmalbach Lubeca Thomsen CE United Biscuits</p> <p>Body</p> <p>Europipe</p>
<p>I</p> <p>A Majority of Companies which so far had only one or two European meetings of Employee Representatives (actual around 200 Companies)</p>	<p>IV</p> <p>Rhone Poulence Credit Lyonnais Nestlé Bayer/Hoechst Schering CPC Honda Mars</p> <p>Procedure</p> <p>BSN/Danone</p>

**High
L-L**

**Low
L-L**

L-L: Level of independent Labour-Labour Co-operation:

- * Quadrants defined by existence or absence of an independent employee co-operation body
- * Placement within field represents extent, level or content significance of co-operation and communication among labour representatives

M-L: Level of Management-Labour Co-operation:

- * Quadrants define by existence or absence of formal recognition of a kind of an "European works council"
- * Placement within field represents extent, level or content significance of co-operation (e.g. information vs. consultation, annual meeting)

Another dilemma of present research on EWCs is, that so far the main focuses have *only* been on officially established EWCs and therefore on the relations between European central management and employee representatives from various national subsidiaries. There is only very little research on the relation among different national and/or local employee representatives in a single TNC. Since the early 1990s there has not only been a significant increase in the signing of "voluntary agreements" on EWCs, but at the same time - after creating a special EU funding program through the European Parliament (budget line B3-4004) - the European Industry Committees of the ETUC have organised a growing number of European meetings with employee representatives coming from the same TNC (Schulten 1995b). Meanwhile there have been such meetings in nearly 300 separate companies (Fulton 1995), which marks the starting point of a build up of a European co-operation structure among employee representatives, and at the same time intensifies demands for negotiations on EWCs from central management. In a few cases like, for example, Digital Equipment (Müller 1994) or Unilever (Schulten 1996) employee representatives with support of the European trade unions built up very comprehensive and effective autonomous European co-operation networks, while central management for a long time strongly opposed any kind of European-level labour relations framework.

Taking into account not only the officially established EWCs but also the various employee initiatives for a European co-operation network the map in *Table 3* gives a snapshot of the current situation on European labour relations at the level of TNCs. Altogether it may be possible to distinguish five different categories which represent different stages and models of the development of EWCs:

1. The first category, which is still the largest one, contains the approximately 1.000 companies which are affected by the EWC-directive, but from where so far neither the employee representatives nor the management has taken any initiative to create a EWCs. This category is not even covered by the map in *Table 3*.
2. The second category which is placed in *Quadrant I* encloses all of the approximately 200 companies where the employees have taken first steps for European-wide co-operation (for example, organised a first transnational seminar) but where there are no joint activities between employee representatives and management at the European level so far.
3. The third category in *Quadrant II* covers the cases where the employee side already developed a regularly operating co-operation structure, while management is ignoring any demands for an official recognition of a EWCs.
4. The fourth category placed in *Quadrant III* includes all the companies where there are officially recognised EWCs, regular meetings between employee representatives and central management on European level, as well as to a certain extent independent co-operation on the employee side. The EWCs has the distinct character of a new European company *body*.

5. Finally, the fifth category in *Quadrant IV* represents the companies which have an official agreement on a EWC and at least one annual meeting at the European level, but where in-between these meetings there is almost no autonomous co-operation of employee representatives. Many of the cases placed in this field resulted from the initiative of management representatives. The characteristic of the EWCs is less a new company body than a regular procedure (such as a forum or a workshop meeting) for information and consultation on European level.

With the implementation of the EWCs-directive in the next few years, the first three categories will disappear. It is nevertheless unclear whether employee and trade union representatives are willing and able to build up independent co-operation structures to find an autonomous policy approach and able to establish a real counterweight to European central management. If they do not succeed in doing so, EWCs will be mainly influenced by management and could be used primarily as a new instrument of European human resource management.

3. Transnational Corporations (TNCs) in Europe - the Emergence of the "Euro-Company"

The concept of the EWCs was "rediscovered" in the late 1980s and became politicised in the context of discussions on the "social dimension" of the European Single Market Programme. However, the main reason for its prominent role obviously has a background in radical changes in the structure of the world economy and its implications for employee and trade union representation. As a reaction to the fundamental crises of the basic settlements of Post War Capitalism, which have been thoroughly analysed by the French Regulation School as a crisis of the "fordist" accumulation and regulation regime (for example: Liepitz 1992; for a recent synopsis of Regulation Theory see: Boyer/Saillard 1995), there has been a tremendous acceleration in the globalisation of economic activities since the mid-1970s (Ohmae 1990; Chesnais 1994; Papaconstantinou 1995). Apart from the growing internationalisation of trade structures, the most significant sign of an emerging new "transnational accumulation regime" is the globalisation of capital itself, particularly through an exorbitant growth of Foreign Direct Investment (FDI). Between 1960 and 1993 the world-wide stock of FDI increased from \$68 billion to \$2.1 trillion, which makes an average annual growth rate of 11 Percent (UNCTAD 1994: 131). Particularly in the second half of the 1980s there has been a further acceleration of the FDI business, reaching annual growth rates of 28 Percent (UNCTAD 1993: 91). Between 1988 and 1993 the world stock of FDI almost doubled (Table 4).

Table 4: Stock of foreign investment 1988-1993 (Billions of dollars)

Country of origin	1988	1989	1990	1991	1992	1993 ^a
France ^a	51	75	110	130	161	182
Germany	104	121	152	173	179	196
Japan	110	154	202	233	250	264
United Kingdom	185	194	229	232	221	247
United States	346	390	432	467	489	539
World	1 146	1 360	1 649	1 822	1 932	2 125

^a estimated

Source: UNCTAD (1994)

Increasing globalisation of capital has turned Transnational Companies and Corporations (TNCs) into the most important social actor in today's world economy. According to figures of the United Nations, about 37,000 TNCs with more than 206,000 foreign subsidiaries currently exist (UNCTAD 1994: 3), which together control about one-third of world output (ibid.: 141). Just the world's largest 100 TNCs (without banking and assurance companies) held \$3.4 trillion in global assets in 1992 and controlled about one-third of the world FDI stock. (ibid.: XXI). While all TNCs together employ a workforce of 73 million (ibid.: 163), the top 100 TNCs alone have 12 million workers on their payroll (ibid.: 176). Hence the group of TNCs is very polarised: There is a majority of smaller and medium-sized TNCs with just a small number of foreign subsidiaries, and there are "a few hundred corporate giants, many of them bigger than most sovereign nations." (Barnet/Cavanagh 1994: 14).

Globalisation of capital during the last 20 years by way of a rapid expansion of FDI was accompanied by far-reaching internal restructuring processes and fundamental shifts in the TNC's international production strategies (Bartlett/Ghoshal 1989). At least three types of international production could be distinguished (UNCTAD 1994; Campell 1994): The *first* type is the "*stand-alone strategy*": TNC's foreign affiliates are more or less miniature replicas of the parent firm, organising almost the whole value-added process in the host country and having nearly no functional links to the TNC's headquarters (with the exception of technological and financial transfer). The *second* type is the "*simple integration strategy*": The TNC has already established a certain division of labour between the parent firm and foreign affiliate, for example a subsidiary produces a certain good to supply the parent company. Until the mid-1970 these two types were clearly the dominant strategies for international production.

Since then many TNCs looked for the new approach of a "*complex integration strategy*" supported by the progress of modern communication technology: "Firms following this strategy are no longer merely an agglomeration of discrete units, but rather all individual units are sub-

ject to one unified strategy that governs the entire corporate system. ... The geographical coverage of each function can vary; some functions can be integrated globally (e.g., finance), others regionally (e.g., production) while again others may remain entirely local (e.g., training of workers). A firm pursuing complex integration strategies needs to be seen, therefore, as consisting of an integrated set of corporate functions, each with (potentially) varied geography. In this strategy intra-firm transactions of goods and services play by necessity, an important role." (UNCTAD 1994: 140) It has been estimated, that today one-third of total world trade flows is intra-firm trade (UNCTAD 1993: 13). In summary, most of the TNCs today have developed an "integrated international production system" which "means any affiliate operating in any foreign location potentially performs functions for the TNC as a whole or in close interaction with other affiliates on the basis of a sophisticated intra-firm division of labour" (ibid.: 158f.).

However, properly speaking it does not seem very accurate to use the term "globalisation", because as Barnet and Cavanagh (1994: 427) remarked: "globalisation is not really global". During the 1980s the inward flow of FDI was concentrated very largely on the core industrial regions of the "Triad" North America, East Asia and Western Europe. Hence even the development of transnationally integrated production networks was primarily not at an international but at an intra-regional level (UNCTAD 1993; Campbell 1994). Western Europe thereby is the region with the highest share of transnational economic interaction. As Table 5 indicates, even in the larger European states of France, Germany, Italy and United Kingdom a significant proportion of the activities in some key industrial sectors were controlled by foreign TNCs. Wortmann and Dörrenbächer (1994) found out additionally that over 6 million people in the EU (based on the former 12 member states) are working at companies which are majority-owned by a TNC based in a foreign country, under which there are about 5 million employees who are actually affected by the EWC-directive.

Table 5: Industrial Sectors with the highest share of production by foreign enterprises

France (1988)		Germany (1989)		Italy (1989)		United Kingdom (1989)	
Sector	%	Sector	%	Sector	%	Sector	%
1. Computers	71	1. Computers	78	1. Computers	63	1. Computers	65
2. Chemicals	45	2. Chemicals	39	2 Electronics	55	2. Motor vehicles	56
3. Electronics	33	3. Food/Beverages	21	3. Chemicals	30	3. Chemicals	37
4. Non met. Prod.	27	4. Motor Vehicles	20	4. Food/Beverages	15	4. Electronics	30
5. Machines	24	5. Basic Metals	17	5. Machines	12	5. Basic Metals	22

Source: Papaconstantinou (1995: 219)

The Single Market Programme of 1986, which itself was mainly inspired by the "European Roundtable of industrialists" - a central lobby organisation of European TNCs (Holman/van der Pijl 1992; Bornschieer/Fiedler 1995) - was certainly the beginning for a fundamental restructuring process of European capital. In contrast to earlier periods of European integration when there was a clear dominance of national capital structures, since the middle of 1980 there was for the first time a significant intensification of cross-border activities. The most magnificent development was the enormous acceleration of cross-border mergers and acquisitions in the second half of the 1980s (Schulten 1992). The completion of the European Single market forced even smaller and medium-sized businesses to reorganise their entire value chain on a European scale and to build up European-wide integrated production networks. Marginson et.al. (1993) have analysed this process as the emerging of the "Euro-Company". Independently from the (mostly still national) ownership the term "Euro-Company" is used as a "social-economic" category which describes companies, which internally "have restructured their operations so as to create unified management structures at the European level able to integrate production, distribution and marketing across Europe" (Marginson et.al. 1993: 182). Röttger (1993), by using central categories of Regulation Theory, interprets the same process as the development of a "new transnational European accumulation regime".

4. Transnational Corporations and National Systems of Labour Relations in Europe - new developments in the "Euro-Company"?

The emergence of the "Euro-Company" clearly has serious implications for European labour relations. This also leads us to the more fundamental question of the principal relation between TNCs and national systems of labour relations. To tackle that issue, it may be useful to recall very briefly the main positions in organisation theory (Heidenreich/Schmidt 1991): In the 1950s and 1960s organisation studies were mainly dominated by a functionalist modernisation theory, which indicates a strong tendency for convergence because of the universal logic of capitalist industrialisation or even more specifically because of rational needs of modern technology. In this theoretical perspective TNCs were seen as social actors able to accelerate this convergence process through an international transfer of know-how and technology.

In the late 1960s Perlmutter (1969) with his famous distinction between "*ethnocentric*", "*polycentric*" and "*geocentric*" companies tried to obtain a more precise view of the different internationalisation strategies (Table 6). Thereby, he already came very close to the more contemporary analysis of Bartlett and Ghoshal (1989) who distinguished between a *multinational*, a *global*, an *international* and a *transnational* approach. Using Perlmutter's concept for the issue of labour relations (Marginson/Sisson 1994), it could be said that an ethnocentric company would try to transfer its home country regulation system to its foreign subsidiaries,

while a polycentric company would mainly adopt the host countries' regulation system. Finally, a geocentric company would create a new form of regulation, which probably is influenced by both the home and the host country's system.

Table 6: Three Types of Headquarters Orientation Toward Subsidiaries in an International Enterprise

Organisation Design	Ethnocentric	Polycentric	Geocentric
Complexity of organisation	Complex in home country, simple in subsidiaries	Varied and independent	Increasingly complex and interdependent
Authority; decision making	High in headquarters	Relatively low in headquarters	Aim for a collaborative approach between headquarters and subsidiaries
Evaluation and control	Home standards applied for persons and performance	Determined locally	Find standards which are universal and local
Rewards and punishments; incentives	High in headquarters; low in subsidiaries	Wide variation; can be high or low rewards for subsidiary performance	International and local executives rewarded or reaching local and world-wide objectives
Communication; information flow	High volume to subsidiaries order, commands, advice	Little to and from the headquarters; Little between subsidiaries	Both ways and between subsidiaries. Heads of subsidiaries part of management team
Identification	Nationality of owner	Nationality of host country	Truly international company but identifying with national interests
Perpetuation (recruiting, staffing, development)	Recruit and develop people of home country for key positions everywhere in the world	Develop people of local nationality for key positions in their own county	Develop best men everywhere in the world for key position everywhere in the world

Source: Perlmutter (1969)

In particular Japanese companies are reputed very often as typical representatives of an ethnocentric approach trying to transfer the Japanese production system with its special form of labour relations into their foreign subsidiaries. However, what has been particularly observed in Japanese "transplants" in the United Kingdom (Oliver/Wilkinson 1992) is not always true in other European countries (Costa/Garanto 1993; Lincoln et.al. 1995). The Korean TNC Samsung could be regarded as a very extreme case of an ethnocentric approach (Hassel/Schulten 1995). After employees of Samsung's retailer organisation in Germany demanded that their local managers arrange for a works council, Samsung's central management from headquarters in Seoul sent a fax to its German subsidiary saying that works councils and trade unions are not in line with the philosophy of the company. Hence pressing for works councils might cause relocation or closure of the German operation. Because of the headquarters' intervention, local management tried to avoid the founding of a works council. After the local trade union took the case to the court, the management finally had to accept the employee's right to form their own representation.

The Samsung example made clear that an ethnocentric approach very often has its limits in national regulation, in particular if it is codified by law. Most studies on Human Resource

Management in TNCs came to the same result as the extensive empirical study of the Price Waterhouse Cranfield project (1991), which works out very clearly that labour relations in foreign-own subsidiaries show no significant differences to the home country's companies. Concerning labour relations, the overwhelming majority of TNCs therefore seemed to follow a polycentric approach. This could be explained by the "societal effect theory" which was primarily developed by the French "Aix-en-Provence School" and became very popular in organisation studies during the 1970s and 1980s. (for example: Maurice et. al. 1980; Maurice 1991). Following the approach of the "societal effect" every organisation is embedded in a specific national "culture" and "set of social institutions" (such as labour relations, educational system, role of the state etc.) which has a systematic influence on a foreign-owned subsidiary's organisational practice, so that it will mainly reproduce the typical national pattern. Cross-border comparisons of production sites in the electronic industry proved that even when subsidiaries used the same technology to produce the same product the organisation of work and more broadly the regulation of labour relations can be very different (Hirsch-Kreinsen 1994).

The "societal effect theory" tried to explain why there is no universal convergence of organisation structures but rather a continuing existence of national diversity. However, increasing globalisation of capital and the emergence of transnationally integrated production networks has also produced a kind of renewal of convergence theory (Boyer 1993). Most prominently this could be seen in the legendary MIT-Study, which called the traditional Toyota Production System ("Lean production") the "universal production model of the 21st century" (Womack et.al. 1990). But even if one is not arguing in such an ostentatious manner, there obviously have been new developments in international production which definitely have an influence on the organisation structure and therefore challenge the "societal effect theory". Taking the new dimension of globalisation into account does not necessarily mean denying the "societal effect", but probably to add something to what Mueller (1994a) called the "organisational" and the "globalisation effect", which considers the company's new ability to act on a transnational level.

Coming back to the discussion on the emerging Euro-Company, it now could be asked, whether there are new organisational and globalisation effects which might challenge the contemporary regulation of labour relations. Marginson and Sisson (1994: 25) suppose that the Euro-Company already has the "strategic potential to establish a pan-European approach to employee and industrial relations management". A similar view has been taken by the authors of the United Nation's "World Investment Report 1994": "As a result of the creation of the Single Market and following a wave of acquisitions, mergers and alliances, large TNCs operating in the European union have created integrated management structures at a pan-European level, distinct from their formerly national organisational divisions. The new structures indicate a tendency for developing firm-specific employment systems or 'organisation-based' arrangements for dealing with industrial relations" (UNCTAD 1994: 270). In Perlmutter's terminology

one may ask if the Euro-Company is likely to take if not a "geocentric" then a "eurocentric" approach towards labour relations.

The hypothesis of the emergence of a new form of European-level labour relations in the Euro-Company is supported by the observation of a certain tendency of transnational convergence in some aspects of labour relations such as work organisation and working conditions among the various subsidiaries of a single TNC (Flecker/Schienstock 1994; Flecker 1995). The Euro-Company today usually has its own company network based on modern information and communication technology which makes it possible to compare routinely the cost and productivity performance of every single subsidiary (Marginson et. al. 1995). Through intensive intra-firm transfers of information, know-how, technology and even personnel a TNC has a strong opportunity to achieve "cross-border learning effects" which allows the optimisation of organisational structures (Mueller 1994a). In principle, there are two different ways in which the Euro-Company politically can use its strategic potential to converge labour relations issues: a primarily cost-oriented "social-dumping approach" and a primarily innovation-oriented "best-practice approach" (Schulten 1995a).

Following the "*social-dumping approach*", management uses the increasing inter-firm competition among various subsidiaries to force local employee representatives to give social concessions by threatening lay-offs, relocation's or modifications of investments plans. One of the most spectacular examples of "social dumping" in Europe recently was the "Hoover-Case", where the American TNC relocated its production of vacuum cleaners from France to Scotland after the Scottish workforce accepted a far-reaching flexibility of working conditions and agreed to have a "no-strike-agreement" (Schulten 1995b). Even if such a "delocalisation" of production facilities in practice is still rather exceptional, one should not underestimate the particular "political dimension" of social dumping (Falkner 1993). For example, in a study on the European automobile industry, Mueller and Purcell (1992) found that management systematically played one subsidiary against another to introduce night shifts and to extend the operations' time in the capital-intensive areas (gearing and engine production, press shop). After the first subsidiary agreed to break a certain social standard, a kind of "domino-effect" was set in motion (Mueller 1994b) Sooner or later all the other subsidiaries followed the same pattern. The "social-dumping approach" is based on the principal asymmetry of power between a transnational operating management and a mainly nationally limited employee representation. When management confronts their employees with a transnational comparison of locational performance in different subsidiaries, the local workforce are almost powerless, because they simply can not check the figures. To a certain extent, this situation could change with the establishment of EWCs, if employee representatives are able to use it for an independent exchange of information. However, this does not mean that employees will automatically avoid social dumping. On the contrary, because of increasing pressure of intensifying international competition, "concession bargaining" (Sengenberger 1992; Schauer 1994) is becoming more and

more the dominant form of collective bargaining, and even in EWCs the employee representatives are likely primarily defending their local interests. In summary, the social dumping approach could end in a race of undermined existing social standards and thereby contribute to a "*negative convergence*" of labour relation on a low level of social regulation.

The alternative way for a TNC to use its ability of "cross-border learning" is to choose a more innovation-oriented "*best-practice approach*", which might bring about more positive forms of transnational convergence in labour relations. With the fundamental crisis of the old "fordist" mode of production (Liepitz 1992) since the 1980s almost the whole industrial sector is in a far-reaching restructuring process searching for a more productive and innovative production model. In TNCs the introduction of new working and production methods occurs under the "comparative control" of the company's headquarters. Therefore, according to Schienstock (1992: 471) "the top management of a multinational corporation has a dominate role to play in the process of organisational restructuring. It possesses the ability to interpret the environment, to choose the adequate strategy for recognised organisational problems and to change the organisational structures so that they fit with environmental and strategic demands. The central management decides what markets a firm should open up, on what business it should concentrate its subsidiaries and satellite firms. Strategies and organisational models are developed by the central management, while the division management or the management of the satellite firm has to decide on tactical aspects only. The latter has to provide for the smooth functioning of local production process." Because of its strategic access to information and knowledge the central management gets a key position in transferring "best-practice experiences" through the whole group (Mueller 1994b).

Contrary to the mainstream "decentralisation-philosophy" in popular management literature, TNC headquarters keep a strategic role even in a more complex and transnationally integrated production network. However, what has been changed substantially is the way in which the central management controls its subsidiaries. Besides the traditional hierarchichal form of control through top-down orders and commands, there are now more and more indirect or "contextual" forms of control, mainly the establishing of market relations among the TNCs operations through profit centres etc. (Schienstock 1992; Flecker/Schienstock 1994). The increasing intra-firm competition has forced local management to permanently improve its own organisation, orientating itself at the subsidiary with the best cost and productivity performance. Therefore, the implementation of "best-practice methods" creates a strong tendency for "a cross-border convergence of work organisation and conditions and quality of employment within integrated TNCs." (UNCTAD 1994: 271).

5. European Works Councils and the future of labour relations in Europe

The above analysed tendencies of an intra-firm convergence of labour relations issues within the Euro-Company basically support the formation of a new form of company-specific European labour relations regulation. The EWC could become a new labour relations regime through which the spread of best-practice methods could even be accelerated with positive effects for both sides: a better costs and productivity performance in the various subsidiaries as well as an improvement of working conditions through the entire Euro-Company. In the end one might have the paradoxical situation that management, which so far strongly opposed the establishment of a legal binding EWC, will discover it as an useful instrument for transnational human resource management (Harzing/Ruyssveldt 1995). Some managers already see the EWCs as an opportunity to strengthen the company's European "corporate identity". For example, at the German chemical company Schering the annual meeting of the EWC is always combined with a strategic meeting of the European personal managers (Handelsblatt 7./8. April 1995). Keller (1995) already goes one step further in arguing that in the foreseeable future more and more TNCs might come to the idea of starting collective bargaining with "its" EWCs in a number of non-monetary labour relations issues (e.g. work organisation, working time, training, equality between men and women etc.).

However, the establishment of a new transnational "micro-corporatism" at TNC level will not be free from tensions and contradictions because the Euro-Company will also continue "regime shopping" to take advantage of the different national and/or local social standards, thereby playing off its national personnel against each other. It will mainly be the task of the employee representatives and trade unions to avoid the continuing danger of social-dumping. Therefore, they primarily have to form independent co-operation and communication structures able to equalise the management's supremacy on information about the companies transnational developments. The question, if rather the "*best-practice*" or the "*social-dumping*" approach will become dominant, will have a main influence on the functioning of a EWC.

Finally, one could assume that EWCs establishing new forms of labour relations regulation in the Euro-Company will further weaken the contemporary national systems of regulation. A number of comparative studies on European labour relations have already argued that since the mid-1980s there has been a common trend towards more decentralised, company-specific forms of regulation (see for example: Baglioni/Crouch 1990; Deppe/Weiner 1991; Ferner/Hyman 1992). A new transnational "micro-corporatism" at the TNC level could further support this tendency by breaking off the Euro-Company's national subsidiaries from the national and or branch/level regulation systems. As Mueller and Purcell (1992:31) suggests this could lead to a new segmentation of two broadly independent system of labour relations in Europe: "The one for large integrated companies where the focus is on plant activity and active works councils; the others serving the smaller domestic producers and those firms in sheltered

markets based on the varied traditions and practices of national industrial relations arrangements." In the end there would be a growing stratification and segmentation of the labour force with a new transnational labour "aristocracy" (Deppe 1995) formed by a relatively privileged core workforce of the Euro-Companies and a growing peripheral workforce in widely deregulated labour markets.

Following that scenario even national trade unions would be further weakened, because they tend to lose their ability to create national solidarity. After being on the head of the European trade union movement for a long time, EWCs are now confronted with the danger of a potential transnational "neo-syndicalism". As a study of the Dutch union confederation FNV is arguing, from a trade union point of view what seems to be necessary is the creation of a European "dualistic system" on labour representation (Stoop 1994). In this political scenario EWCs should be integrated as trade union power base in a European collective bargaining system at the supranational level. However, for a number of reasons a "Europeanisation" of collective bargaining (even for all sectors or for certain branches) is not very likely at the moment (Ebbinghaus/Visser 1994, Keller 1995):

Firstly neither the European trade union organisations nor the (even more fragmented) European employers associations have so far met the institutional and organisational requirements for European collective bargaining. Their financial and organisational infrastructure is still very weak and they have no political mandate from their national member organisations to negotiate or even to sign collective agreements at the European level.

Secondly the political interests of European social actors are still dominantly defined through a national perspective. Both the European trade unions as well as the European employers organisations have to deal with different national interests of their members coming from different national systems of labour relations and reflecting different national levels of economic development.

Thirdly there is a fundamental contradiction between the social actors concerning the principal need for a European social policy. While the European trade unions are lobbying for European social regulation, which might be able to compensate the growing limitations of nation state's regulatory capacity, it is no more than ever in the interest of European employers to overcome the national social "restrictions" and to shift further social regulation from the state to the market. (Streeck 1995)

Fourthly the emergence of a European collective bargaining system is so far blocked by the fundamental character of the current integration process in Europe, which is still mainly inter-governmental, dominated by nation states which prefer a form of "negative integration" through market forces and not through political reforms (Scharpf 1995). Therefore, the European Union is also not functioning as a European "would-be state" able to encourage European

social regulation from above (Ebbinghaus/Visser 1994). However, there may be some fundamental changes after the creation of a European Monetary Union (Altvater/Mahnkopf 1993).

In summary, even if a political strategy of integrating EWCs in a broader concept of European collective bargaining and thereby creating a "dualistic system" of interest representation in Europe seems to be very feasible from a trade union point of view, a number of barriers and contradictions are standing in opposition to this project. Rather, what seems to be much more realistic at the moment is a growth of importance of transnational labour relations at the TNC level which would not lead to a converged European labour relation system, but would create a "transnational pluralism" of varying company-specific regulation regimes. Therefore, EWCs could probably become the product of a "neo-voluntarism" in European Labour Relations (Streeck 1994).

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