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## **Lessons learned on European Works Councils**

### **Introduction**

Ten years ago, the Council adopted Directive 94/45/EC on the establishment of a European works council (EWC) in Community-scale undertakings and Community-scale groups of undertakings. Eight years after the deadline for transposition of the Directive at national level, companies and workers that have put in place EWCs report the positive role these bodies can play in improving the information flow between workers and management, allowing for consultation of workers on relevant cross-border issues affecting the group, developing a corporate culture in transnational groups and gaining acceptance for necessary change. Reference was also made to the cost and complexity of organising transnational information and consultation in such European structures.

Today, some 750 transnational companies or groups have established EWCs or similar bodies. This represents approximately 45% of the companies or groups of companies and about 70% of the employees potentially concerned. The majority of agreements establishing EWCs were concluded before 1996, on the basis of Article 13 of the Directive, which allowed greater flexibility to workers and management to design and operate procedures for transnational information and consultation in their company. In the meantime, a number of these agreements has been renegotiated.

Since May 2004, the EWC Directive has been applicable in the 10 new Member States. Enlargement is a major challenge for groups and companies operating in both the old and new Member States which are now enlarging their EWCs or seeking to establish transnational information and consultation bodies as they now fall under the scope of the directive.

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. Examples of the nine company-case studies presented during two social dialogue seminars in September and October 2004 are attached.

## **The lessons learned**

On the basis of these case studies, ETUC, CEEP and UNICE/UEAPME drew the following lessons.

### 1. EWC: a useful tool to organise transnational information and consultation.

Practice shows that EWCs can help management and workers to build a corporate culture and adapt to change in fast-evolving transnational companies or groups, when changes concern the group's strategy and affect sites in several countries.

In a context of globalisation and on-going technological innovation, companies and workers in all European countries are confronted with continuous and rapid change in the organisation of work and production. The existence of a good social dialogue climate of confidence and a constructive attitude to change are key factors which may contribute to ease the management of change in companies and to prevent or limit possible negative social consequences when more far-reaching restructuring is necessary.

### 2. Mutual trust

The establishment of a climate of mutual trust between management and workers' representatives in the EWC is important for a good functioning of this body.

Clarity in procedures is important to create the basis for this mutual trust. Some companies, in the agreement creating the EWC, have developed fairly detailed rules on the kind of and moment at which information is given to this body. Others have chosen to function with broad rules and entrusted a restricted steering committee with the task of recommending how to handle information and consultation on a particular issue.

Adopting a pragmatic approach on both sides to the operation of the EWC, developing informal relations between the management and worker representatives in the EWC or the restricted steering committee plays a crucial role.

Openness on the side of management to release information at an early stage and a constructive attitude in the search for solutions on the workers' side are also important.

### 3. Understanding complex issues

The ability to understand complex issues discussed in the EWC determines the quality in communication. Investing in language as well as technical/content training helps to optimise the functioning of the EWC and to reduce overall functioning costs. Ensuring the efficiency of such training actions is essential.

Some agreements foresee the worker representatives to be assisted by experts helping them to analyse and discuss the group's strategy, financial situation or consequences of decisions and to formulate their proposals and opinions.

#### 4. Reconciling different cultures

Finding ways of reconciling different national industrial relations practices, occupational traditions and addressing an increasingly diverse workforce is a constant challenge. As part of their efforts to see the EWC play a positive role in developing a common approach in companies undergoing rapid internationalisation some agreements have been negotiated and signed by European sectoral federations only. In some cases, they were co-signatories alongside companies' workers' representatives or their experts played an informal but important role in facilitating the synthesis of different cultures during the negotiation process. In other cases, priority was given to working exclusively with designated worker representatives within the companies.

#### 5. Ensuring ownership of the EWC by the workforce

All the case studies demonstrated that ensuring a real sense of ownership of the EWC by the whole workforce was a considerable challenge. However, the practical issues to be addressed varied depending on the structure of the company, the range of its activities, its geographical coverage and possible numeric dominance of the workforce of some countries, the existence of a restricted steering committee, the dissemination of EWC activities, the possible role of European sectoral federations or other external experts, etc.

#### 6. Difficulty of identifying worker representatives in new Member States

Some companies have anticipated the enlargement of their EWC and do not seem to have encountered insurmountable difficulties in identifying worker representatives from those countries. However, other companies currently seeking to enlarge their EWC report considerable difficulties in identifying worker representatives in the new Member States in which they operate.

#### 7. Managing multiple layers of information and consultation

A complexity encountered by both management and worker representatives is to organise meaningful information and/or consultation without creating undue delays and uncertainties. The necessary respect of obligations arising from the legislative and contractual framework on worker information and consultation as well as confidentiality requirements influence the information and consultation process. Tensions can also arise from the fact that even if some decisions on the strategy of the group are taken at European level, managing its social consequences remains local and governed by national rules.

#### 8. The good functioning of EWC is an evolving process

All case studies underlined that the good functioning of EWCs is a learning and evolving process through fine tuning over the years. Creating a good working atmosphere and functioning in a EWC requires time, openness and efforts from both sides, notably to overcome possible misunderstandings and tensions due to differences in national situations and social dialogue traditions across Europe.