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# Factors Contributing to the Effectiveness of the European Works Council: An Explorative Study

Theodore Koutroukis \*

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## Introduction

Acknowledging the role carried out by employees in MNCs has been the major concern of the most relevant EU bodies from the beginning of the 1970s until 22 September 1994, when the EWCD giving them the right to information and consultation was finally adopted. The main purpose of the European Works Council (EWC) is to bring together employee representatives (ERs) from various European sites where MNCs operate.<sup>1</sup> To date, EWCs have been set up considering two main schemes. The first scheme consists of ERs on an exclusive basis who enter into consultation with management when necessary. The second is of a mixed composition, that is representatives of both sides.<sup>2</sup> So far, the contribution of EWCs to the industrial relations system at both European and national level has been poorly explored. In this sense, very little scholarly work has dealt with this issue, such as the classic by Lamers on the added value of EWCs<sup>3</sup> and some other books.<sup>4</sup> The effectiveness of EWCs as a tool to

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<sup>1</sup> P. Kerckhofs, *Evaluating the Development of European Works Councils: An Analysis of Case Study Evidence*, (PhD thesis), Manchester Business School, Manchester, 2007.

<sup>2</sup> T. Koutroukis, *Employee Relations in Multinational Enterprises: The experience of European Works Councils* [Ph.D. thesis, in Greek], Panteion University, Athens, 2004.

<sup>3</sup> J. Lamers, *The Added Value of European Works Councils*, AWWN, Haarlem, 1998.

<sup>4</sup> M. Hall, M. Carley, M. Gold, P. Marginson, and K. Sisson, *European Works Councils: Planning for the Directive*, IRS- IRRU, London, 1995. T. Bain, and K. Hester, *European Works Council Directive and HR/LR Strategies of Multinational Companies*, paper presented at

enhance employment relations and strengthening employee voice within MNCs has only been investigated in pertinent studies.<sup>5</sup> At the onset, it might be worth pointing out the notion of Europeanisation as a fundamental aspect among social partners in Europe. Europeanisation can be conceptualised as “the development of this complimentary layer of actors, structures and processes at the European level, which interact with national institutions and actors”.<sup>6</sup> More specifically, the Europeanisation of industrial relations has been described as a quite complex process.<sup>7</sup> As far as Greece is concerned, EI schemes are rare, since only 5% of the companies have actually established them pursuant to Works Council Law. This is due to the strong presence of small- and medium-sized enterprises, where union action is very weak or does not exist at all. Thus, the implementation of the EWCD could promote and disseminate the concept of employee involvement in the Greek IR system as a whole.<sup>8</sup> In the context of this paper, the major factors that influence the effective functioning of international EI in MNCs which operate in Greece are surveyed. It is widely accepted that a MNC is a group of companies performing in many countries, sharing common resources and adopting a common strategy. MNCs may also include one or more (parent) companies which expand abroad—either with the same or a different nationality—and set up subsidiaries overseas, with local shareholders having a minority or a majority stake in them. In practice, and according to the typologies put forward by Perlmutter, Bartlett and Ghoshal, MNCs can assume various forms.<sup>9</sup> Typically, the management of MNCs can be decentralised or centralised. Decentralisation is mainly found in the

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the 6<sup>th</sup> European IIRA Congress, Oslo, Norway, June 2001. T. Weber, P. Foster, and K. L. Egriboz, *Cost and Benefits of the European Works Councils Directive*, UK Department of Trade and Industry, in Employment Relations Research Series n. 9, DTI, Birmingham, 2000.

<sup>5</sup> M. Bailey, *Can You Hear Us?: The Effectiveness of European Works Councils as a Mechanism of Employee Voice for Hungarian Workers of PrintCo*, in *Employee Relations*, 2009, vol. 31, n. 2, 197-218.

<sup>6</sup> P. Kerckhofs, *op. cit.*

<sup>7</sup> W. Lecher, H-W. Platzer, S. Rüb, and K-P. Weiner, *European Works Councils: Negotiated Europeanisation*, Ashgate, Aldershot, 2002. T. Müller, and A. Hoffman, *EWCD Research: A Review of the Literature*, Warwick Papers in Industrial Relations, n. 65, IRRU, Warwick, 2001.

<sup>8</sup> C. Jecchinis, *Recent Developments in Greek Industrial Relations: Statutory and Attitudinal Changes towards Participation and Cooperation*, in *Labour* 1994, vol. 8, n. 3, 547-566. T. Koutroukis, *op. cit.*

<sup>9</sup> M. Leat, and J. Wooley, *Multinationals and Employment Relations*, in G. Hollinshead, P. Nicholls, and S Tailby, (eds.), *Employee Relations*, Financial times-Prentice Hall, Essex, 1999, 93-131.

management of the subsidiaries when dealing with administrative matters, such as daily productive activities of the single economic unit, the investigation of the local market and the short-term corporate policy to be applied locally. Centralised management mainly concerns top executives who make strategic decisions as regards investment and financial issues.<sup>10</sup> There are various effects of MNCs on employment relations. The scope of the phenomenon has contributed to a growing international awareness of labour-related issues and has led to the emerging need to find new solutions to these issues. The multinational dimension of IR has two main aspects:<sup>11</sup>

- differences in the structures of employment relations in the various countries where the MNCs operate;
- differences in the approach of both national trade union and labour institutions concerning matters such as wage and working conditions.

Certain peculiarities of the MNCs have influenced employment relations significantly,<sup>12</sup> in particular:

- (a) the two-tier nature of decision-making, with management of parent companies who deal with financial matters and those at a decentralised level, namely subsidiaries, who are in charge of solving issues concerning industrial relations;
- (b) the high level of flexibility of the corporate group in terms of manufacturing; and
- (c) the relative opacity which characterises the economic activity of the MNCs.<sup>13</sup>

The decision to increase or reduce the productive base in MNCs is made by their headquarters, which means that the parent company also has a say

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<sup>10</sup> T. Koutroukis, *op. cit.*

<sup>11</sup> D. Kujawa, *Labor Relations of U.S. Multinationals Abroad*, in *Labor Relations in Advanced Industrial Societies: Issues and Problems*, in B. Martin, and E. Kassalow, (eds.), Carnegie Endowment for International Peace: Washington D.C., 14-42, 1980.

<sup>12</sup> G. Spiropoulos, *Employee Relations in Greece, Europe and Internationally* [in Greek], A. Sakkoulas, Athens-Komotini, 1998.

<sup>13</sup> B. Liebhaberg, 1980, *Industrial Relations and Multinational Corporations in Europe*, Gower-ECSIM, Brussels.

with regard to personnel in each subsidiary. MNCs usually prefer to invest in countries with higher labour flexibility,<sup>14</sup> where they can transfer production activities from one undertaking where industrial conflict takes place to another one, and stop the operations in a factory at any time.<sup>15</sup> However, there is no universally accepted view on the impact on employment relations formed in the subsidiaries by the MNCs.<sup>16</sup> Referring to them, Martinez Lucio and Weston note that some tend to adjust to the national IR traditions, while others act as a catalyst for change with the spread of new forms of work organisation and IR practices.<sup>17</sup> Coller and Marginson<sup>18</sup> maintain that employment relations seem to be dependent, to a great degree, on local factors and are not very sensitive to the effects of parent company management. At the same time, the impact that the various influence channels might have on employment and work organisation should not be overlooked, particularly that occurring through transnational management practices within the group.

Other scholars insist that in most MNCs there are two counter-balancing trends which combine the increasing decentralisation in each production unit and centralisation taking place at the European level. This is the result not only of exogenous pressures for adjustment, but also of internal needs for coordination and control.<sup>19</sup> Part of the literature argues that employee relations within the MNCs are decentralised, irrespective of the

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<sup>14</sup> P. Marginson, and K. Sisson, *The Structure of Transnational Capital in Europe: The Emerging Euro-Company and its Implications for Industrial Relations*, in *New Frontiers in European Industrial Relations*, R. Hyman, and A. Ferner, (eds.), Blackwell, Oxford, 1994, 15-51.

<sup>15</sup> M. Steuer, and J. Gennard, *Industrial Relations, Labour Disputes and Labour Utilization in Foreign-owned Firms in the United Kingdom*, in J. Dunning, (ed.), *The Multinational Enterprise*, G. Allen and Unwin, London, 1971, 89-167.

<sup>16</sup> H. Günter, *Multinational Corporations and Labour: A Selected and Annotated Bibliography*, International Institute for Labour Studies, Geneva, 1993. A. Ferner, and P. Edwards, *Power and the Diffusion of Organizational Change within Multinational Enterprises*, in *European Journal of Industrial Relations*, 1995, n. 1, 229-257.

<sup>17</sup> M. Martinez Lucio, and S. Weston, *New Management Practices in a Multinational Corporation: The Restructuring of Worker Representation and Rights?*, *Industrial Relations Journal* 1994, 25: 110-121.

<sup>18</sup> X. Coller, and P. Marginson, *Transnational Management Influence over Changing Employment Practice: a Case from the Food Industry*, in *Industrial Relations Journal*, 1998, n. 29, 4-17.

<sup>19</sup> T. Edwards, *Multinationals, International Integration and Employment Practice in Domestic Plants*, in *Industrial Relations Journal*, 2000, n. 31, 115-129. P. Marginson, and K. Sisson, *Multinational Companies and the Future of Collective Bargaining: A Review of the Research Issues*, *op. cit.* T. Turner, D. D'Art, and P. Gunnigle, *US Multinationals: Changing the Framework of Irish Industrial Relations?*, in *Industrial Relations Journal*, 1997, n. 28: 92-102.

involvement of parent company management in cases of serious crises,<sup>20</sup> whereas another claim is that MNCs standardise some aspects of IR and disseminate them within the national IR system, rather than adjusting fully to the local practices of employee relations.<sup>21</sup>

Finally, some other scholarly work has described the following influencing factors as significant in evaluating the extent to which parent companies play a part in employment relations within a subsidiary:<sup>22</sup>

- the extent of inter-subsidiary integration of production activities, since evidence has shown that a great deal of inter-subsidiary integration of production activities leads to the centralisation of employment relations;
- the nationality of the MNC, because US-owned MNCs are characterised by higher levels of centralisation as regards the decision-making process concerning employment relations in comparison to European-owned ones;
- the way a subsidiary is established, given that MNC Brownfield sites tend to enjoy greater autonomy than Greenfield ones;
- the financial performance of subsidiaries, particularly for those with inadequate financial turnover when that performance negatively affects employment relations. In this case, MNCs usually implement national employment relations practices in order to reduce industrial conflict

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<sup>20</sup> H. Günter, *op. cit.*

<sup>21</sup> A. Ferner, J. Quintanilla, and M. Varul, *Country of Origin Effects and the Management of HR/IR in Multinationals: German Companies in Britain and Spain*, paper presented at the 12<sup>th</sup> World Congress of IIRA, Tokyo, Japan, 2000. M. Muller Camen, P. Almond, P. Gunnigle, J. Quintanilla, and A. Tempel, *Between Home and Host Country: Multinationals and Employment Relations in Europe*, in *Industrial Relations Journal*, 2001, n. 32, 435-448.

<sup>22</sup> H. Knudsen, *European Works Councils-Potential and Obstacles on the Road to Employee Influence in Multinational Companies*, in *Industrielle Beziehungen*, 2004, vol. 111, n. 3: 203-220. European Foundation for the Improvement of Living and Working Conditions. *European Works Councils in Practice*, Luxembourg, 2004. M. Leat, and J. Wooley, *op. cit.*. P. Marginson, J. Lavelle, J. Quintanilla, and R. Sanchez Mangas, *Transnational Employee Voice in Multinational Companies: Variable Dialogue in European Works Councils*, paper presented at the MNCs symposium, IIRA World Congress, Sydney, Australia. 2009. V. Pulignano, *Connecting Employee Representatives Response Across Borders: A Comparative Study of American-based Multinational Subsidiaries in Europe in two Sectors*, paper presented to the 7th IIRA European Congress, Lisbon, Portugal, September 2004. V. Pulignano. *EWCs' Cross-National Employee Representative Coordination: A Case of Trade Union Cooperation?* in *Economic and Industrial Democracy* 2005, vol. 26, n. 3, 383-412.



and/or increase productivity. By contrast, in subsidiaries with satisfactory performance and efficiency, MNCs tend to adopt local employment relations practices which are routinely applied in those production units;

- the amount of investment allocated to the subsidiary by MNCs, when the parent company is required to invest considerable capital, the tendency is to increase its intervention in the latter's employment relations. Equally important, is the undermining influence of MNCs on EI schemes.<sup>23</sup> Thus, in MNC subsidiaries, the employees' rights of participation are weakened because the decision-making power is not in the hands of national participation bodies. It has been found, however, that the framework and practice of employee participation in the MNC subsidiaries depend only to a minor extent on direct regulation of the headquarters. By making reference to a survey of several case studies, Lumley and Misra indicate that parent companies were concerned with the performance of their subsidiaries in terms of production and profits, whereas they show no interest whatsoever in EI issues and, if that happens, it is overt only when participation practices are obviously opposed to financial goals.<sup>24</sup> In a similar vein, Hann has pointed out that EWCs provide limited contribution to regulate MNCs allowing ERs to influence decision-making.<sup>25</sup> Finally, it seems that the MNC subsidiaries make use of many cultural elements of IR practice of the host country, without, however, ruling out the transfer of certain practices implemented in the home country. Consequently, it is interesting to examine the policy of the MNC subsidiaries that operate in Greece, and especially those in which EWCs have been established pursuant to European Directive No. 94/45/EC.

## 1. Methodology

The purpose of the survey was to examine the influencing factors in the effective functioning of EWCs in MNC subsidiaries in Greece. Two

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<sup>23</sup> J. K. Looise, and M. Drucker, *Employee Participation in Multinational Enterprises: The Effect of Globalisation on Dutch Works Councils*, in *Employee Relations*, 2002, vol. 24, n. 1, 29-52.

<sup>24</sup> R. Lumley, and S. Misra, *Employee Participation in the Subsidiaries of Multinational Enterprises: Two Anglo-Indian Case Studies*, in *Economic and Industrial Democracy*, 1994, 15: 631-649.

<sup>25</sup> D. Hann, *European Works Councils: the Cornerstone to a European System of Industrial Relations?* Paper presented to the Conference "Industrial Relations in Europe", CIRN, Athens, July 2007.

sectors were singled out and a qualitative approach was deemed necessary as combining investigative and interpretative criteria.<sup>26</sup> The issue arising from an over-generalisation of the findings was sidelined by investigating the function carried out by EWC in all the MNC subsidiaries of both sectors.<sup>27</sup> The problem of transparency was coped with through an analytical description of the methodology. The choice of the case studies and the interviews that were selected comprised an empirical investigation of a certain phenomenon within its actual framework, as it is particularly recommended when the boundaries between the phenomenon and the framework are blurred.<sup>28</sup>

The food and drink sector (FD) and oil lubricants industry (OL) were singled out because:

- a) they are representative of the industrial activity in Greece and abroad, and are characterised by a variety of ownership, corporate culture, managerial methods, EI and IR traditions;
- b) they have similar unionisation rates. In addition, to control for differences at a sectoral level, all cases were chosen from both sectors.

Further, all the enterprises with EWCs in these two sectors were investigated. The characteristics of the businesses per sector are illustrated in Table No. 1:

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<sup>26</sup> N. Kiriazi, *Sociological Research* [in Greek], Ellinika Grammata, Athens, 1999.

<sup>27</sup> R. Gomm, M. Hammersley, and P. Foster, *Case Study and Generalization*, in R. Gomm, M. Hammersley, and P. Foster (eds.), *Case Study Method: Key Issues, Key Texts*, Sage, London, 2000, 98-115.

<sup>28</sup> R. Stake, *Case Studies*, in N. Yenzin, and Y. Lincoln, (eds.), *Handbook of Qualitative Research*, Sage, Thousand Oaks, 1994, 236-247. R. Yin, *Case Study Research; Design and Methods*, Sage, Thousand Oaks 1994.

*Table No. 1—Characteristics of the Businesses Surveyed (per sector).*

<b>Characteristics of the Businesses Surveyed (per sector)</b>		
Sector	Food Drinks (FD)	Oil Lubricants (OL)
Average number of employees	604	317
Union activity in the sector	Through company unions	Through branch unions
Types of enterprises	Traditional Greek industrial enterprises taken over by MNCs during the past 15 years (Brownfield sites)	They were established from the beginning as MNC subsidiaries (Greenfield sites)
Type of employee representation in the workplace	Company Union	Works Council

*Source: Interview Data Processing.*

Accordingly, eleven in-depth interviews with ERs and nine interviews with HR managers were carried out. This number provides for complete coverage of Greek employee delegation in MNCs surveyed in both sectors. The content of the interviews was recorded upon consent of the participants, and they were also given the opportunity to check the first draft of the interview transcript, which was standardized. The questionnaire was an adapted and enriched version of the research tools employed in similar studies all over Europe.<sup>29</sup>

Systematic and methodical recording of all the procedures of the survey ensured its repetition in the future, with a high probability that the same results would be produced.<sup>30</sup>

<sup>29</sup> P. Kerckhofs, *op. cit.*

<sup>30</sup> E. Wallis, *Industrial Relations in the Privatised Coal Industry: Continuity, Change and Contradictions*, Ashgate, Aldershot, 2000.

## 2. Findings

Drawing on collected evidence, it was found that EWCs enhance the promotion of a European HR policy on the part of MNCs, and that they act as a communication channel of the interested parties at the European level, also contributing to a convergence of employment relations within MNCs. The main findings which arose from the interviews of the HR Managers are provided in Table No. 2.

*Table No. 2—Interviews with HR Managers: Main Findings.*

<b>Interviews with HR Managers: Main Findings</b>
Described employment relations in their company as “co-operative” (9/9)
Have a positive opinion of EI schemes. In regular and extraordinary EWC meetings, representatives of subsidiary and local management take part in almost all the FD companies, but in no OL companies (8/9)
Believe that the EWC is useful for the company, but only few wish for the reinforcement of its role (8/9)
Believe that EWCs increase the chances to implement a European HR policy in their companies (the majority of)
Believe that the EWC function improves their company’s performance (the majority of)
Believe that the EWC function improved labour-management relations at the local level (6/9)
Believe that the role of ERs is successful (9/9), and no one thinks that ERs might cause problems of any kind
Stated that the relation of subsidiary/ local management with the Greek EW Councillor is very positive (9/9)
Believe that EWCs create (positive) added value in labour-management relations of the MNC as a whole and at the local level as well (9/9)
Think that the most significant cost for the company is high employee expectations concerning the future of employee involvement in the company (7/9)
Think that the travel cost of ERs is the most important real cost item from the EWC function (the large majority)

Agree that EWCs promote a transnational co-operation of social partners' organisations, widen the promotion of a European HR policy by the MNCs, become a part of an emerging European IR system, offer a channel of communication of the interested parties at the European level and contribute to a convergence of employment relations within MNCs (a large majority)

*Source: Interview Data Processing.*

Furthermore, it was found that in several sectors EWCs provide access to upper-management, promote consultation and common visions/values with foreign colleagues as well as international cross-pollination, develop a European dimension of the group and IR, facilitate steering and checking through social dialogue, contribute to business-like cooperation and positively influence IR within the parent company and the subsidiaries as well.

As far as interviews of the ERs are concerned, the main findings are given in Table No. 3.

*Table No. 3—Interviewing Employee Representatives (ERs): Main Findings.*

<b>Interviewing Employee Representatives (ERs): Main Findings</b>
Describe employment relations in their company as “co-operative” (10/11)
Positively view EI schemes (10/11)
Believe that EWCs could widen the scope for cooperation and development of strong links among trade unions all over Europe (10/11)
Believe that EWCs could be a stepping stone towards the creation of a European collective bargaining framework (9/11)
Believe that EWCs will contribute to the convergence of IR at the supra-national level (9/11)
Believe that EWCs positively influence national/local EI schemes (9/11)
Believe that EWCs add value in labour-management relations within MNC (10/11)
Believe that they have positively influenced labour-management relations at the local level (many from the FD sector but, none from the OL sector)

*Source: Interview Data Processing.*

To sum up, ERs have reported more and stronger positive influences of EWCs in the OL companies than the ones of FD sector. The main differences that the survey identified between the two sectors that were surveyed are shown in Table No. 4:

*Table No. 4—Characteristics of the Investigated Enterprises per Sector.*

<b>Table 4: Characteristics of the Investigated Enterprises per Sector</b>		
Sector	Food Drinks (FD)	Oil Lubricants (OL)
Average number of employees	604	317
Average “life cycle” of EWCs	4 years	7 years
Union activity in the sector	Through company unions	Through sectoral unions
Types of enterprises	Traditional Greek industrial enterprises taken over by MNCs (Brownfield sites)	Enterprises were established as MNC subsidiaries (Greenfield sites)
Collective Labour Agreements	Concluded between the subsidiary/ local management and the company union	No written agreements between the subsidiary/local management and works council
Type of worker representation in the workplace	Company Union (works council in 3/6 enterprises)	Works council (works council in 3/3 enterprises)
Subsidiary/Local management is:	Represented at the EWC- parent company management meetings	Never represented at the EWC- parent company management meetings
ERs have had previous experience in EI schemes:	In some cases (4/8)	Always (3/3)
Union involvement in the appointment/selection of	Exists in about half of the cases	Never

ERs		
ERs union membership	All ERs	Only one ERs (1/3)
ERs transfer information that obtained in EWC meetings, mainly to	The company union	The works council
ERs believe that they have influenced subsidiary/local management decisions in employee relations issues	The majority of ERs	The minority of ERs
There is a European division of the group	In several cases	In few cases
The ERs were trained with the initiative of the management:	Only in one subsidiary(1/6)	In most of the subsidiaries (2/3)

*Source: Interview Data Processing.*

Moreover, several factors have emerged from the survey which hamper the effective functioning of the EWCs in the MNC subsidiaries in Greece. These factors can be classified into two groups. The first one concerns the nature and features of the businesses, including:

- the origin of the company (Brownfield or Greenfield investment);
- the managerial approach (degree of decentralisation and centralisation of corporate decision making, especially with regard to employment relations issues);
- the company structure and the inter-corporate decision-making levels (whether a European department exists or not);
- the degree of internationalisation of corporate operations (national-oriented or supra-national approach of human resources and employment relations);
- the role of subsidiary/local management (the level of representation at the EWC's meetings).

The second group of factors includes the field of employment relations, such as:

- the nature and structure of trade union organisation (at both company and sectoral level);
- the tradition of labour-management relations, be it of a cooperative or competitive nature);
- the degree of formalism (written or formal agreements, no agreements concluded for determining the employment terms) and the level of IR regulation (at a national and transnational level);
- the previous experience of ERs in EI schemes (whether national works councils were in place or not);
- the relations between trade unions and works councils (degree of trade union involvement in the selection/appointment of the ERs, the union membership or not of the ERs and so forth.

#### Food and Drink Industry

Thus, in the FD sector, the overwhelming majority of businesses were Greek indigenous firms, which were taken over by MNCs. The subsidiary and local management of companies investing in Brownfield sites continue to maintain to a great extent the managerial approach already adopted by the previous owners. Most companies operating in the FD sector have established a special European department, while HR issues are approached in a way that is more nationally-oriented. Furthermore, subsidiary local management of these companies are usually also represented at EWC meetings convened by parent company management. In all likelihood, the parent company management of MNCs in the FD industry has promoted their participation in such meetings as a means to enhance business integration and effectively promote a diverging managerial approach in all the MNC subsidiaries. As for employee relations, company unions are usually the majority in the FD sector, while labour-management relations, if co-operative, are marked by a sense of cautiousness and mutual suspicion. The procedures for the regulation of employment relations are more formal—collective agreements in written form—and follow national criteria and customs that are typical of the Greek IR system. The same can be said of the relationships between company unions and works council—if they exist and are not in competition with one another—which are characterised by certain amount of formality and a relative underestimation of the latter on the part of the former. It should be noted, however, that the company unions play a major role at the time of appointing the ERs. HR Management seem to agree that the presence and the role of the ERs did not produce



an improvement with regard to labour-management relations, apparently because they are unable to be involved in decision-making at a local level. It is therefore obvious that within businesses operating in the FD sector, which draw on the national IR system, managers are willing to engage into more traditional forms of employee representation, mainly for unions concerning unions at a sectoral level. To sum up, there is little wonder about employers in the FD sector adopting a more nationally-oriented model of employment relations. In this framework, EWCs—which on average have a shorter “life cycle”—now represent a novelty at a supra-national level, since they are perceived as an element of Europeanisation.

#### Oil Lubricant Sector (OL)

By way of contrast, all the companies surveyed in the Oil Lubricant Sector (OL) were Greenfield subsidiaries of MNCs. Their subsidiary and local management maintain, by-and-large, the management approach which is used in all MNC undertakings worldwide. There is a European department only in a few of them, while HR issues are dealt with from a transnational perspective. Also, the subsidiary and local management of these companies are not represented at the meetings of EWC set up by the management from the parent company. This state of affairs points to an integrated HR management approach.

Furthermore, it has been found that the union at sectoral level here is prevalent, and labour-management relations have a long tradition of co-operation. The procedures for IR regulation are more informal—no written form is required to conclude labour-management agreements—they usually comply with transnational criteria and try to escape the formal character of the Greek IR system. In addition, unions at sectoral level and works councils seem to be in good terms and their relationship is cooperative, as their role is well-defined, with unions that provide support to works councils.

Essentially, works councils—which are particularly well-established in the OL sector—are included in a pyramidal form of EI, at the top of which there is the union federation of the OL sector. The trade union branches stand at the intermediate level, while the base consists of the works council, with each role carried out at each level being well defined. Works councils are given priority in employee representation at the company level. In contrast, this form of employment relations is more widespread in the OL sector and has a more international ring to it. EWCs are mainly an extension of existing EI bodies at the national level and are not regarded as an innovation in employment relations. At the same time, the

longer “life cycle” of the EWCs which reflects a pertinent familiarity of the interested parties, partly explains their more effective functioning. EWCs embody the characteristics of the OL sector in a more complete fashion than those of the FD sector. Thus, in the OL sector, HR managers confirm that the presence and the role of the ERs did not improve labour-management relations at the local level, apparently due to their institutional weakness to intervene in local decision-making. From the above we see that EWCs operate more effectively in the OL enterprises than in the FD sector. The reasons for this state of play are the structure and the origin of the company, the degree of internationalisation, the type of the employee representation, sector/corporate trade-unionism, the existence of works councils, and the character of IRs which have been established in each sector (employee relations structured at a transnational or a national scale).

### 3. Discussion

The adoption of EWCs in certain national IR systems has brought about a concern regarding the possible impact of the EWCs on employee relations, which are formed in the MNC subsidiaries. On the management side, it seems that EWCs produce a number of beneficial and, for that reason, desirable effects—e.g. an increase in mutual trust between management and workers, improvement of the employee “commitment” towards the company—yet some very important benefits for the MNCs have also been reported, especially in a time of increasing internationalisation of the capital pressures for productive reorganisation and reorientation of corporate operations within MNCs. Accordingly, the benefits arising from the function of EWC—such as a better management decisions regarding employees and the contribution to organisational changes in the company—can support the critical decisions made by the management of the parent company when necessary (e.g. extensive reorganisation of production). There are also somewhat backwards, as they are limited by the sense of uncertainty which can originate from an increase in employees’ expectations concerning the EWCs and their competence, which in no case, for the time being has produced risks to MNCs. In addition, some costs - chiefly travel expenses - that result from participating in the EWCs’ meetings exist, yet they are insignificant for large companies.

From an employee’s perspective, EWCs produce a number of beneficial and, for that reason, desirable effects—e.g. access to central management,

and a positive influence on labour relations. Nonetheless, the benefits enjoyed by them are not those claimed by the European Trade Unions in the 1970s, such as worker control within MNCs. Besides, such benefits are closer to the model of “pseudo-participation”,<sup>31</sup> as employees have to accept the decisions made by central management after brief consultation. Particularly important are also the characteristics at a sectoral level, which influence the effective functioning of EWCs in MNC subsidiaries in Greece. In view of the above, it could be argued that EWCs operate with greater effectiveness in a number of international MNCs’ subsidiaries which already have some national EI bodies, while trade unionism at the sectoral level (outside the enterprise) carries out an advisory role concerning the EWCs. In other words, EWCs—as supra-national/European bodies are fitting for international companies and to a certain structure of employee representation, which corresponds to that of the European trade union movement, in the framework of which the roles of the unions and the participation bodies are very clear, at least where there is a dual employee representation at the workplace.

The comparative analysis provided in this paper confirms that in a significant number of MNCs a trend towards decentralisation exists along with a need for internal co-ordination and control, which are achieved through a centralisation process (glocalisation) at the European and international level.<sup>32</sup> Also, the findings uphold the view that the subsidiary and local management in the MNC Brownfield sites enjoy greater autonomy in relation to the subsidiary/local management of the MNC Greenfield sites.<sup>33</sup> It was also found that the management of certain MNCs (mainly in the OL sector) have tried—via effective training—to incorporate the ERs in the international structure of the group of companies more effectively.

Presumably, EWCs can be regarded as multinational bodies which are more suited to international companies, to their integrated operations and the trend towards the centralisation of employee relations at the transnational level of the Euro-companies. In those companies, EWC effectiveness is increased as regards their contribution to the creation of added value for the employees, but also with reference to their beneficial impact to the Europeanisation of the national IR systems in which the

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<sup>31</sup> A. Timming, 2007, *European Works Councils and the Dark Side of Managing Worker Voice*, in *Human Resource Management Journal*, 2007, vol. 17, n. 3, 248-264.

<sup>32</sup> P. Marginson, and K. Sisson, *Multinational Companies and the Future of Collective Bargaining: A Review of the Research Issues*, in *European Journal of Industrial Relations*, cit.

<sup>33</sup> M. Leat, and J. Wooley, M. Leat, and J. Wooley, *op. cit.*

MNCs operate. Thus, the hypothesis that various factors concerning local subsidiaries of MNCs are determined *inter alia* by company and trade union structure aspects seems to be validated.<sup>34</sup> However, it is very likely that in the MNC subsidiaries, which adopt sectoral unionism in combination with the function of works councils, EWCs function more effectively. It is possible that EI pre-existing experience in those enterprises in combination with a clarified and distinctive role of each EI body in both the company and supra-company level, are elements which influence the relatively more successful function of the EWCs. By way of contrast, in companies that are less international, with more autonomous managerial operations and with decentralised and diverging employee relations practices, EWCs have a reduced effectiveness as regards their addition of value for the employee side, but also with respect to the beneficial impact of Europeanisation on the national IR systems. Moreover, it appears that in the MNC subsidiaries which adopt the form of unionism implemented in the company, the EWC function is less effective. It is likely that the lack of previous EI experience in those enterprises, alongside the possible confusion of the roles of the EI bodies (unions and works councils), are elements which influence less successful EWCs.

It therefore seems valid that EWCs are more appropriate for MNC subsidiaries with higher levels of integration, where national EI schemes already exist, though unions act mainly at the sectoral level and play a consulting role to the EWCs. Therefore this also confirms Hann's claim that ongoing Europeanisation of IR which has been taking place during the last few years, seems to more adequately meet the needs of MNCs' to integrate and internationalise some of their operations more than their employee needs.<sup>35</sup> By way of conclusion, one might note that while the establishment and functioning of the EWCs were a perennial demand of the European trade unions, the latter seem to be more cautious on the future development of EWCs, as for the time being they merely benefit

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<sup>34</sup> European Foundation for the Improvement of Living and Working Conditions. *European Works Councils in Practice*, 2004, Luxembourg. V. Pulignano, *Connecting Employee Representatives Response Across Borders: A Comparative Study of American-based Multinational Subsidiaries in Europe in two Sectors*, cit. V. Pulignano. *EWCs' Cross-National Employee Representative Coordination: A Case of Trade Union Cooperation?* in *Economic and Industrial Democracy*, cit. H. Knudsen, *op. cit.* P. Marginson, J. Lavelle, J. Quintanilla, and R. Sanchez Mangas, *op. cit.*

<sup>35</sup> D. Hann, *European Works Councils: the Cornerstone to a European System of Industrial Relations?* Paper presented to the Industrial Relations in Europe Conference, CIRN, Athens, July 2007.

from EWCs. Thus, the EWC Directive has already been re-orientated towards the service mainly of corporate and managerial purposes (i.e. group integration) than the democratic and humanitarian ones (develop a European IR dimension in the long run). In other words, MNCs tend to hold the perception that EWCs play a positive role in terms of employee representatives.



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