

**European Works Councils in the Regions: A Case study of the North East of England**

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### **Background**

In September 1994 the European Union (EU) adopted Council Directive 94/45/EC placing a requirement on multinational enterprises with a workforce over 1000 and two subsidiaries with over 150 employees in at least two member states to negotiate procedures for information and consultation with their workforce. The Directive was transposed into UK law on 15<sup>th</sup> January 2000 following the new Labour government's signing of the Amsterdam Treaty. It is now estimated that 587 European Works Council agreements have been signed under the terms of the Directive. Of these 92 cover UK based multinationals (EIRR 2000). Findings from our research in the North East of England found 220 multinationals based in the Region and covered by the terms of the Directive of which 124 had agreements. In all there were 416 subsidiaries regionally and we were able to identify a total of 50 European Works Council delegates.

Our research aims were fourfold. Firstly, to establish a Regional database of companies in the North East covered by the Directive. Secondly, to examine the organisational structures that had been developed in agreements, particularly in relation to modes of representation. Thirdly, to review attitudes towards the EWCs from the participants in terms of their roles and in relation to their effectiveness. Finally, to assess what support European Works Council participants needed and whether and how that was being provided. In addition, we wanted to place these developments in a Regional context in contrast to the broader, speculative analysis (Streeck 1997) and the company focussed case study research (Royle 1999). It is often argued that labour occupies 'place' and capital 'space' (Wills 1998) so what significance might EWCs have for a global economic outpost?

### **The North East Region**

By the end of the 1990s the last remnants of traditional North East manufacturing industry were fading to be replaced by a 'flexible' regional economy no longer founded on secure regional employers but on a branch plant orthodoxy (Beynon et al 1994; Richardson and Marshall 1996; Pike 1998). The North East was able to supply a workforce with a catalogue of skills obtained in the heavy industries of coal, engineering, shipbuilding and steel. This offered an invitingly flexible workforce which teamed with financial incentives attracted new entrants to the region. As new employers successfully entered the region they in turn helped to attract new companies, acting as exemplars of success and, for example, in Nissan's case as part of a supplier network.

The North East branch plant economy is now characterised by a diverse range of companies engaged in increasingly competitive markets (Stone 1998) and exhibiting new forms of work organisation (Garrahan and Stewart 1992; CSO 1996). It has begun to rely on 'attracting mobile investment from national and international sources' consolidating the 'branch plant economy' (Pike 1998, p5). A large

proportion of this regional investment is foreign direct investment (FDI)<sup>1</sup> with local state, regional development agencies and the delegates of labour facilitating inward movement. However, it now 'remains overtly dependent upon the power of a handful of multinational employers' (Pike 1998, p5) creating an imbalance of power between capital and local agencies including labour.

These power relations are expressed not only at the workplace but in transnationals susceptibility to shifts in global markets with investment decisions geared towards short-term returns leaving the region increasingly sensitive to company restructuring and closures. In the past three years this has led to devastating plant closures at Grove Cranes' Siemans and Fujitsu whilst ICI, Kvaerner and Nestle have announced the sale and corresponding downsizing of large parts of their regional businesses. For example, in 1993 ICI employed 10,000 workers in the North East, by May 2000 this had evaporated to under 800 because of a number of restructuring programmes which moved the company into the speciality chemicals market. It was within this environment that the project team undertook the development of a regional database of both companies covered by the European Directive and their EWC delegates.

### **Constructing the UNN EWC Database**

The regional database was considered an essential tool not only for academic research but also as an adjunct to developing local contacts and support, and underpinning training programmes. Without an information base, European Works Council delegates are in danger of remaining isolated and ineffective, and rooted to 'place'. Thus, the development of the UNN EWC database had the practical aim of providing basic data on the extent of EWC 'penetration' in the North East, by (a) determining the number of companies covered by the EWC directive; (b) identifying companies which are covered by an existing EWC agreement and where the workforce is represented by a delegate to that forum; and (c) identifying companies governed by an agreement but which do not send a delegate to the EWC meeting.

A long sequence of company cross referencing began with regional commercial and public databases (e.g. Dun and Bradstreet; local government and the Northern Development Corporation) examined against the ETUI's database, which contains an inventory of MNCs (and their subsidiaries) covered, or potentially covered, by the Directive. At this stage, very little primary work has been carried out on North East MNCs *not* identified by the ETUI database. Although, it is important to note that Knudsen and Bruun (1998: 137) do suggest that the ETUI database underestimates the number of companies in the Nordic countries covered by the Directive and we are beginning to find similar examples in the region.

The database construction stage also necessitated identifying which companies had an EWC agreement in place and cross-referencing this with the TUC list of UK seats to begin the process of finding UK EWC delegates. This information was then distributed to trade unions at a national and regional level to obtain assistance with the identification of EWC delegates. This stage has helped to build an extensive list of over 430 UK delegates 55 of whom are based in the North East. Significantly as with

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<sup>1</sup> The Region is now a leading UK FDI location (Stone 1998).

the company database this tool is hampered by a changing branch plant economy which has left 14 of the 55 identified delegates no longer on an EWC after plant closures or restructuring (e.g. ICI has over the last year shed four of its five regional delegates). However, the database has allowed the beginnings of regional research into the EWC experience, discussed next, and the mapping-out of company structures and sites at a local level.

### **The Research Findings**

The research has been developed as a two-stage process with postal questionnaires sent to all European Works Council representatives (24 out of 39 were returned covering 17 companies) and semi structured interviews with a sample from just under a third of the MNCs with representatives in the region. Interviewees were asked a series of questions that covered areas ranging from the problems they are experiencing, the type and extent of support they had received, through to the overall operation of their EWCs.

Of the questionnaires returned covering 17 companies, 15 were in manufacturing industry, six were USA owned, five UK owned and one each were Canadian, Finnish, Norwegian, South Korean, Swedish or Swiss. The manufacturing bias is large and typical of the industrial structure of the Region but it is not substantially out of step with other findings on sectoral distribution (Marginson et. al. 1998, p9). The sample is more distinctive in the number of North American firms represented which is over twice that found in European wide studies (ibid., p5) and the consequently smaller number of EEA companies at less than 50 per cent compared to almost two thirds (ibid.).

Of the representatives themselves, almost 80 per cent were trade union members (of which six were GMB, four GPMU and three TGWU). Just over half the representatives had been elected directly or indirectly whilst a significant proportion (37.5 per cent) had been appointed. Seven of the representatives had national constituencies, four represented other Regional sites and 14 represented their own sites (there was some overlap on the answer to this question).

Four key areas of concern were identified from the empirical data (Fitzgerald et. al. 1999). Firstly, what we might generally describe as 'cultural issues' and this included language, different national industrial relations systems and different attitudes towards meetings. Secondly, there were 'business issues' that related the relationship with local management and to the quality of the information received, its timing, its interpretation and its confidentiality. The third issue was that of 'representation' which included the methods of election or appointment and the mechanisms for reporting to other employees. Finally, there were issues relating to 'support structures' which included questions of training and the role of trade unions.

### **Language and Culture**

It is unsurprising that this is a key area for delegates although UK representatives have the advantage in that English is becoming the dominant European Works Council language. Marginson et al's analysis of agreements suggests that a third of companies have opted for a single language and in three-quarters of them it is English

(ibid., p56). The language problem is not fully represented here as the majority of representatives stated that the company working language was English and in six companies UK representatives held the majority of seats. Respondents also noted the use of interpreters at meetings, although arrangements may have been ad hoc with in one case this being initially provided by a senior human relations manager and in another by a teacher from a nearby school. A number of representatives also stated that many European representatives spoke English although a third of respondents still recorded language barriers as a problem. Translation of documents and communications between meetings was more problematic and, again, arrangements appeared to be largely ad hoc.

Problems with understanding differences European industrial relations systems and traditions were also encountered and there was a tendency to regard other models as 'better' than the UK in terms of information made available to European counterparts. Cultural differences around the conduct of meetings was also an issue but as there was a tendency for meetings to be dominated by top down information flows rather than interactive discussion this was not raised as a particularly problematic issue.

### **Business Issues**

In general, local managers at representatives' workplaces were either supportive or indifferent to their role of the European Works Council with no one recording open hostility. However, the practical realities of participation did provoke problems with over a third recording difficulties with local management attitudes to the need for training and time off and to the access to information that was not available to them. However, there were a number of responses that suggested that the information supplied at meetings was 'too little, too late' and that questions of restructuring remained outside the scope of Works Council meetings. The cloak of confidentiality for commercially sensitive information was commonly cited as the main management argument for non-disclosure from management.

This has led to disenchantment with the meetings with respondents describing them as 'a waste of time' or with 'nothing of any consequence' resulting from the meetings. By contrast, some respondents recognised the opportunities for developing EWCs and accepted that they were in the early stages of development.

### **Representation**

'Feedback on the content and outcome of European Works Council meetings to employees and their representatives within the company, beyond the European Works Council members, is vital to establishing EWCs as ongoing working bodies. If the role and significance of EWCs is not clear to the wider workforce, they risk becoming marginal structures of little influence' (ibid. p57). Critical to the success of EWCs in this respect are the mechanisms for organising representation and developing effective communications systems. We found that effective systems of communication between representatives and between delegates and their constituents was developing rapidly. Twenty of the 24 respondents had established communications with the other UK representatives outside of meetings; 17 communicated with their European counterparts outside meetings and five said they had communications with delegates from other EWCs. Twenty of the 24 also 'reported back' to those they represented.

Some used more than one method and seven strategies were noted including two - branch meetings (5 respondents) and shop stewards' committees (9) - that were confined to trade union organisations. Of the others, 8 recorded workplace meetings and 11 the use of newsletters. Whilst we have no direct data on the reception to the report back the qualitative interviews suggest, unsurprisingly, that EWCs appear more effective and are more valued when report back systems are in place and supported by management.

Trade union organisation was more likely to encourage reporting back though not necessarily increasing employee interest. For example two respondents who were also full time union officials recognised the need to improve the situation with one arguing that strong membership apathy towards EWCs combined with a lack of EWC representatives meant that resources were being channelled elsewhere.

### **Support Structures**

Trade Unions also have a potentially key role in providing support structures for 'their' representatives and training was another key issue for respondents in this respect (Miller & Stirling 1998).

Representatives were asked what was being done to alleviate these problems and what training had been available prior to the commencement of EWC membership. The overall answers on training are disappointing but unsurprising given the absence of a steer in the Directive on this issue. Of the seven respondents (30 per cent) who had received training, it had been provided by the trade union in five cases, jointly in one other case and by ACAS and the employer in the final case.

Only six respondents (a third of the unionised respondents) felt that their unions had given them any support. A range of comments were given including 'the union did not seem aware that we had an EWC', through to 'I didn't know there was any training'. The most telling comments, though, came from the full time officers interviewed who were honest in their assessment of the situation; 'I don't think the (union), or any other trade union, are up to it in terms of training for EWC representatives' with both officers acknowledging, one explicit and one implicit, that EWCs were at present low on the trade union agenda.

### **Conclusion**

Our research is based on EWCs in a branch plant economy where subsidiaries and workplaces can become peripheral to the core multinational activity leaving them vulnerable to restructuring and potential closures. This was demonstrated clearly in the rapidly changing nature of our database as parent companies moved out of the Region and closed or sold workplaces which remained open with new owners and, potentially, new EWCs (e.g. Kaeverner and ICI).

This raises a number of key questions for EWC representatives in relation to their continuing membership or membership of new EWCs, their communications systems and their views on the effectiveness of their EWC. There is a danger that the role of EWCs is dismissed as representatives conclude that they had little input or impact on

restructuring decisions. However, as one respondent argued:

*“whilst I am personally disappointed at what was actually achieved, I felt it was an unbelievable opportunity for shop floor representatives...we have to start somewhere and build on what we have”.*

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