



Department of Trade and Industry

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COSTS AND BENEFITS OF THE EUROPEAN WORKS COUNCILS DIRECTIVE

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Foreword

Debate over employment relations has long been at the forefront of the political agenda, and so it remains today. Promoting good employment relations is an important task of government. Our role in the Department of Trade and Industry is to encourage the development of a skilled and flexible labour market founded on the principle of social partnership.

To aid Ministers in making sound decisions we have an ongoing programme of evaluation and research in employment relations. In-house researchers, economists and policy advisors devise research projects to be conducted on our behalf by external researchers, who are chosen through a competitive tendering process. Projects typically look at areas where we are interested in identifying good practice, in assessing the impact of particular policies or regulations, or examining emergent trends. Details of the programme appear regularly in *Labour Market Trends* and can also be found at <http://www.dti.gov.uk/ir/emar/>

The Research Series is where we disseminate the results of this work, as a contribution towards an open community debate about how we might best achieve our overall aim of improving competitiveness.

Mark Beatson

Director, Employment Relations Market Analysis and Research Branch.

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Executive Summary

Background

1. The main purpose of this study was to fill an information gap relating to the direct cost to UK-based firms of implementing the European Works Councils (EWC) Directive, in order to assist the DTI in fulfilling its statutory obligation to provide a Regulatory Impact Assessment on the wider cost and benefits to UK economy.

2. Despite the UK government's initial opt-out of the Directive, previous studies showed that a significant number of UK based multinational companies established EWCs or similar bodies.

3. This study is based on the experience of ten of these firms: Barclays Bank plc, BOC Group plc, Caradon plc, General Electric Plastics plc, GKN plc, HSBC Holdings plc, Matsushita Electric Europe (Panasonic) Ltd, Nestlé, Sodhexo, Alliance/Gardner Merchant and Tate & Lyle plc. These companies were selected to illustrate how different companies adapted to requirements of the Directive either by establishing EWCs under Article 6 or developing their own bespoke voluntary arrangements under Article 13.

Findings

4. Only two of these companies concluded Article 6 agreements requiring them to establish EWCs as set out by the Directive, while eight opted for Article 13 voluntary agreements. Article 13 agreements were chosen mainly because of the greater flexibility they provided, although some companies also expressed concern over the status of UK employee representatives if they opted for agreements under Article 6. Article 6 agreements were chosen mainly because of time considerations. All companies were concerned not to exclude their employees in the UK from their European-wide bodies for information provision and consultation.

5. All the companies had prior experience of information and consultation arrangements in one of several Member States where they had subsidiaries. However, all reported that they would not have set up European information and consultation bodies had it not been for the Directive.

6. Companies' different approaches to employment relations do not seem to have made any difference to the time taken to reach agreement, which ranged from two months to two years, with the majority taking between three and six months. Factors assisting speedy agreement included: the mutual

intention to reach an agreement; positive management attitude; short time between negotiating sessions; the use of experts; the lack of a "hidden agenda"; and, in the case of Article 13 voluntary agreements, deadline pressure.

7. Employee representatives were selected according to the national rules and practices of each Member State. In the UK most companies opted for "split representation", with one group nominated by the recognised trade unions and the other directly elected by ballot of the relevant workforce. Employee signatories to agreements to set up EWCs generally included national or transnational trade union representatives.

8. The competence of EWCs or equivalent bodies varied between companies. All made provision for information and consultation on the economic and financial situation of the business, production and sales. Most companies extended it beyond this narrow remit. There was little difference between companies in what the agreements provided for in terms of arrangements for meetings, provision for experts and range of costs incurred. In all cases the company absorbed all of the costs.

9. There was difficulty in gathering information on costs, as costs were generally absorbed into local running costs (e.g. management time, paid time off for employee representatives) with only a few categories of costs directly monitored. These were generally accounted for under the Company's Headquarters personnel budget.

10. Set up and running costs varied significantly between companies. The biggest components of cost were venue and accommodation, travel and subsistence, and interpretation and translation. Differences in cost do not seem to be related to whether agreements were concluded under Article 6 or Article 13.

11. Costs for the main items of expenditure were as follows:

- cost of annual meetings ranged from £15,000 to £88,000 with a mean of £53,000. There was no relationship between cost and the number of employees. Cost per employee representative ranged between £900 and £4,500. The most variable element in this being the cost of translation and interpretation which was relatively low for those organisations with a very high proportion of their workforce in the UK. Excluding translation and interpretation costs, the range is fairly narrow – seven of the ten organisations had a cost per representative of between £900 and £1,900.

- additional extra ordinary meetings and meetings of select committees cost about £1,500 to £2,000 each;
- set up costs ranged from £3,600 to £105,000. The largest item of cost in all cases was management time, but there was little sign of an identifiable pattern.

12. The company with lowest unit costs was in several respects, perhaps, most like the companies that will be covered by the new legislation, such as companies where the workforce in the rest of the EEA is less than 1,000 or is spread so that only one has over 150 employees. For such companies, the cost of translation and interpretation may well be lower than in the majority of the case studies included in this study.

13. Some companies said that: EWCs lead to unnecessary duplication of information and consultation provision between EWCs and national information and consultation bodies, raised unrealistic expectations amongst some employee representatives about what they could achieve and, in the longer term, might lead to calls for transnational collective bargaining. On a more positive note, most perceived some symbolic value in demonstrating companies concern about their employees. However, others saw value in contributing to increased trust, employee involvement in the business, better understanding of the factors affecting managerial decisions and developing a corporate culture.

14. EWCs were clearly seen to be still evolving in terms of the practical arrangements of how they operate and how they might develop with regard to the range of issues discussed, with some suggestion that they might develop to provide a greater sectoral or business unit focus.

One

INTRODUCTION

In the context of the transposition of the European Works Councils (EWC) Directive (Council Directive 94/45/EC) in the UK, the Department of Trade and Industry (DTI) commissioned ECOTEC Research and Consulting Ltd to carry out a study to assess the costs and benefits to UK companies of establishing European employee information and consultation bodies as required by the Directive. The main aim of the study was to provide primary information on the costs and benefits to companies in implementing the EWC Directive to assist the DTI in completing its Regulatory Impact Assessment.¹ This report sets out the background to the study, its aims and objectives, the methodological approach employed, as well as presenting its findings.

1.1 Background to the study

The European Works Councils Directive

The EWC Directive was adopted by 14 Member States of the European Union (with the exception of the UK) at the Labour and Social Affairs Council on 22 September 1994. It was then extended to the rest of the European Economic Area (EEA) – Iceland, Liechtenstein and Norway in June 1995. The Directive requires Community-scale undertakings and Community-scale groups of undertakings to establish European Works Councils,² or to put in place another procedure for the purposes of informing and consulting employees. The multinational groups and companies affected are those with at least 1,000 employees in the 17 countries, and with at least 150 employees in two or more countries of the EEA. The Directive provided for a two year transposition period to allow Member States to frame their implementing legislation or mechanisms (for countries initially covered by the Directive, the deadline was September 1996). During this two year transposition phase, companies were given the choice either to reach voluntary agreements with employee representatives on European information and consultation arrangements, based on Article 13 of the Directive, or to establish a Special Negotiating Body, as set out in Article 5, with a view to establishing EWC along the lines of the provisions set out in Article 6 of the Directive.

Agreements under Article 13 of the Directive

Article 13 of the Directive allows for the negotiation of voluntary agreements on the

establishment of an employee information and consultation body within a two-year transition period following the adoption of the Directive. The only conditions applying to such agreements are that they must cover the entire workforce of the group within the scope of the Directive and that they provide for information and consultation.

Article 13 provides companies with an option to negotiate an agreement outside the procedure laid down in Article 5 which requires the establishment of a Special Negotiating Body (SNB). Article 13 agreements are also exempt from the provisions of the Directive until the date they expire and can be extended providing both parties consent. They, therefore, provide a way in which information and consultation bodies can be tailored to the specific circumstances of the undertaking. They also allow for the establishment of an employee side negotiating team composed on a basis other than the requirements laid down for the SNB (see below). For example, this means that the employee side negotiating group need not include representatives from each country covered by the Directive, where the company has operations. However, it is worth noting that some Member States, i.e. France, require Article 13 agreements to meet additional standards provided for under national law.

Negotiations under Article 13 are also seen by some observers to be beneficial because they are not bound by the subsidiary requirements set out in the Directive, which come into force should negotiations not result in agreement. Finally, for companies with headquarters outside the European Economic Area, another consideration mentioned by some observers, is the choice of jurisdiction in which to register the agreement from amongst the EU countries in which they operate. A recent study by the Dublin based European Foundation for the Improvement of Living and Working Conditions³ found that almost 400 Article 13 agreements were successfully negotiated during the “first wave” of implementation between 1994 and 1996.

Agreements under Article 6 of the Directive

After the transposition deadline, agreements have to be negotiated under the procedures set down by Articles 5 and 6 of the Directive, which require the formation of a Special Negotiating Body (SNB) to negotiate the establishment of an information and consultation body. The setting up of the SNB can be triggered either by central management or by a transnational constituency of employees or employee representatives.

The exact nature of the SNB procedure, constitution and remit of the EWC and the subsidiary

requirements to be applied vary somewhat from country to country, depending on national implementing legislation. In relation to negotiations in particular, the procedure for the nomination and selection of SNB members varies significantly between EU countries, e.g. in relation to the question whether members must be workers from the undertaking (as opposed to trade union representatives). It has been argued that, although negotiations under Article 6 offer less flexibility than those under Article 13, some companies may prefer to go down this route because it allows them more time to formulate a strategy with the benefit of the experience of other companies who have already gone through this process.

If such SNB negotiations fail to produce an agreement after three years, the Directive's subsidiary requirements come into force. The subsidiary requirements contained in the Annex to the Directive and implemented through the legislation of each Member State provide that:

- the competence of the EWC is limited to those matters which concern the enterprise as a whole, or those which concern its operation in at least two countries;
- the EWC is to have from 3 to 30 members, elected or appointed from existing representatives (or, where there are no such representatives, by the entire body of employees);
- election or appointment of members is to follow national rules and practices;
- the EWC is to have one employee representative from each country (covered by the Directive) in which the company operates, as well as supplementary members in proportion to the number of employees in the various establishments or group undertakings;
- where its size warrants it, the EWC shall elect a "select committee" with a maximum of three members;
- the EWC will have the right to meet central management annually to be informed and consulted on the basis of a report drawn up by central management. This should relate in particular to:
 - I. the enterprise's structure and economic and financial situation;
 - II. the probable development of the business and production and sales;
 - III. the employment situation and probable trend;
 - IV. investments;
 - V. substantial changes concerning the organisation, new working;
 - VI. methods or production processes, transfers of production, mergers;
 - VII. cutbacks, or closure of undertakings or collective redundancies.

Under the subsidiary rules, provision must be made for extraordinary meetings, to allow for information and consultation on "measures significantly affecting employees' interests". The EWC or Select Committee may be assisted by experts of its choice. The cost of holding and facilitating the meetings must be borne by management under these rules.

The UK's opt-in and extension of the Directive

The EWC Directive was initially adopted under the Maastricht Social Protocol and, therefore, the UK was exempt from its provisions. However, many UK owned and non-EU owned firms with headquarters or operations in the UK, found themselves covered by the Directive, because of the size of their workforce in other EU Member States. Moreover, the vast majority of these undertakings, which concluded EWC agreements in the first wave, included provisions for UK employee representatives despite having no legal obligation to do so. According to TUC figures (1997), 114 UK based companies were covered in the first wave; at least 58 were UK owned companies. Research undertaken for the European Foundation (Marginson et al 1998) similarly found that the UK opt out had not discouraged companies from including their UK subsidiaries within European Works Council agreements. Furthermore, 15 per cent of voluntary EWC agreements established under Article 13 of the Directive were concluded by UK based companies. Wills (1998) and Marginson et al (1998) have argued that the reasons for opting for Article 13 agreements, and for accommodating their UK workforce in their arrangements, relate to companies wishing to avoid the constraints imposed by the Special Negotiating Body (SNB) procedure; and, to better accommodate specific company requirements. Nevertheless, a number of UK based operations established EWCs under Article 6.

Following the Government's decision to end the opt-out from the Social Chapter of the Maastricht Treaty, the United Kingdom committed itself to introducing legislation on EWC's, leading to the extension of the EWC Directive to the UK by the Council of Ministers on 15 December 1997. Previously exempt UK-owned and UK-based non-EEA foreign-owned companies with their headquarters in the UK will now be covered by the Directive. It has been estimated by the TUC that this will result in another 125 UK based multinationals being brought under the scope of the Directive. As in the first wave, companies have two years to implement the Directive from the date of adoption, that is until 15 December 1999 to reach voluntary agreements. Thereafter, Article 5 and 6 requirements come into force.

The original Directive is to be reviewed by 22 September 1999 before the extension Directive is fully transposed.

1.2 Aims and objectives of the study

In the course of preparing for national legislation to implement the European Works Councils Directive, DTI found there was an absence of sound empirical evidence on the cost to business of implementing the EWC Directive. It decided to fill this gap, by commissioning a study to collect primary information on the cost to businesses to enable it to carry out a Regulatory Impact Assessment of the costs and benefits to UK based firms required to implement the Directive.

The main aims of the study were to:

- provide information to assess the compliance costs of implementing the Directive, separating non-recurring set-up costs from recurring running costs;
- identify the main items of expenditure, including separating the fixed from variable elements of the recurring cost;
- identify other quantifiable or non-quantifiable socio-economic costs and benefits;
- illustrate the range of approaches adopted in implementing the provisions of the Directive, covering both Article 13 and Article 6 agreements;
- describe how company management approached the anticipated costs involved in meeting the requirements of the Directive and, where applicable, any cost benefit assessment or analyses carried out;
- identify unanticipated costs; and
- identify issues around the time frame for costs and benefits.

The main purpose of the study was to gather information on the costs and benefits of EWCs. However, it was also considered important to gather some background information about the companies, their approaches to employment relations, etc; to an organisational context in which the cost associated with EWCs can be assessed.

1.3 Methodology

The analysis of the costs and benefits of the European Works Councils Directive for UK companies, which have yet to apply its provisions, was based on case studies of 10 UK-owned and UK-based companies. Because of the limited number of case studies, the companies were selected using a range of criteria which would allow for a diverse range of company organisational requirements.

Criteria for case study selection

The criteria set by the DTI were as follows:

- be UK-owned or UK-based;
- have concluded Article 13 agreements or Article 6 agreements in the first wave;
- have held at least one or two meetings;
- one company must have concluded an agreement under the jurisdiction of two Member States (one should preferably be Ireland);
- both UK-owned and non-EU foreign-owned companies which have their European HQ or a significant proportion of their employees located in the UK, including, if possible, at least one Swiss company;
- represent a variety of sectors including manufacturing, retail and distribution, banking and finance, and possibly including, a company in the sea passenger transport business;
- have different workforce sizes (including a company which only just meets the size criteria, one of the very biggest companies and a spread of companies in between); including the extent to which their UK based operations account for a significant proportion of their European workforce; and
- have different approaches to employment relations, particularly in relation to arrangements for employee representation, and the provision of information and consultation with employees prior to the Directive.

Method of selection

Case study employers were identified on the basis of these criteria using publicly available sources. For the purposes of preparing a short list of companies to be approached, we used the database of existing agreements assembled by the European Trade Union Institute (ETUI), as well as other sources such as the European Works Councils Bulletin. The ETUI database lists the existing EWC agreements by country and sector; nature of the agreement (Article 6 or 13); number of employees; countries of operation and agreement date. In addition, we examined the texts of a number of agreements. Using these sources 25 companies were selected, and, in consultation with DTI officials, a short list of 10 companies with substitutes was drawn up. Three companies from the initial short list declined to take part in the study for various reasons, including time pressures and changes in the operational structure resulting from mergers (leading to a re-negotiation of the agreement). Unfortunately, two of the companies with Article 6 agreements declined to take part, and had to be replaced with companies having negotiated Article 13 agreements. One of the companies

that declined to take part was from the sea passenger transport sector. A replacement for this company had to be found from a different sector. With the exception of these three companies, the undertakings approached were, on the whole, keen to take part in the research and some expressed an interest in using the findings of the study in relation to future meetings of the EWC.

Approach to interviews

Companies were approached initially by telephone to identify the individual most able to provide answers to our questions. In most cases these were senior management employees from the Employee Relations or Human Resources Management (HRM) Departments of their companies. The contact was followed up with a letter outlining the aims and objectives of the study and the level of involvement required from them. Companies were also provided with the information schedule, which had been partially completed by ECOTEC based on the information publicly available (e.g. the text of their agreement to be checked for accuracy). The majority of interviews were carried out face-to-face. However, three companies preferred to provide the information in writing and by telephone, either because of internal time pressures, or because in some cases the financial information required was held at their headquarters in another European country. Interviewees were drawn from senior human resource management (e.g. Human Resource Directors for Europe, who also often chaired the European employee information and consultation body). In a few cases senior managers from the finance and legal departments were present at the interview. Since the purpose of the study was to investigate the cost to employers, no interviews were carried out with employee representatives. The views presented in this report therefore reflect only the views of management.

The research instrument

The research instrument was developed in consultation with the DTI to gather:

- general background information about the company, including workforce size, location of plants, turnover, etc;
- information about the arrangements for the European information and consultation body and whether they were established under Article 13 or Article 6;
- specific information on recurring and non-recurring costs.

It was piloted in two companies and found to be sufficiently flexible for gathering the required information (see Annex 1).

These findings have been used here:

- to illustrate the range of approaches adopted in implementing the provisions of the Directive and to consider Article 13 agreements and Article 6 agreements;
- to identify the main items of expenditure and how costs varied according to the nature of the agreements;
- to assess the total direct cost to companies of implementing the Directive, separating one-off costs from recurring costs; and assessing the cost per employee representative; and,
- to identify perceived initial and medium-term non-quantifiable costs and benefits of the Directive.

End Notes

¹ As part of the legislative process, the DTI is required to carry out a Regulatory Impact Assessment to estimate the costs and benefits of the application of any new regulation to the UK economy including UK business.

² For the sake of simplicity, unless otherwise stated, European employee information and consultation bodies are in the following referred to as European Works Councils, regardless of their official title and the legislative basis upon which they were established.

³ The European Foundation was established by the Council of Ministers in 1975. The aim of the Foundation is to contribute to the establishment of better living and working conditions through action designed to increase and disseminate knowledge likely to assist this development.

Two

THE COMPANIES

The findings are based upon 10 case studies. The findings from the pilot studies have been included in the assessment. All the companies participating in the study have kindly given their consent to be named in the report. Below is a brief outline of the companies that were approached and agreed to take part in the research:

Barclays Bank PLC

A UK based company in the banking and finance sector with 72,230 employees in Europe. Subsidiaries are located in France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain and Gibraltar. An Article 13 agreement was signed in September 1996. The Barclays Group European Forum has 40 employee representatives, of which 18 are UK representatives. The company has so far held two annual and nine extraordinary meetings of its European Forum.

BOC Group PLC

A UK based company operating primarily in the chemicals sector, it has an EU workforce of approximately 12,000 in five subsidiaries. Subsidiary companies are located in Belgium, Czech Republic, France, Germany, Ireland, Italy, the Netherlands, Norway, Poland, Russia and Switzerland. An Article 13 agreement was signed on 21 June 1996 to establish the European Forum. Originally there were 31 representatives in the European Forum. After the company sold the health-care section of the group, the number of representatives reduced to 25. The largest proportion of employee representatives comes from the UK (13). Two annual meetings and six select committee meetings have been held so far.

Caradon PLC

A UK based company, primarily active in the manufacture of fabricated metal products and of non-metallic mineral products, with an EU workforce of approximately 13,900 in 18 subsidiaries. Subsidiary companies are currently located in Austria, Belgium, France, Germany, Italy, the Netherlands and Spain. The company established a Special Negotiating Body, and an Article 6 agreement was signed in May 1997. The European Forum has 14 representatives from the employee side, with the largest proportion coming from the UK (4) and Germany (3). Two annual meetings have been held so far.

General Electric Plastics PLC (GEPE)

The company is a division of the US-based multinational company engaged primarily in the manufacture of electrical machinery. Its European headquarters are based in the Netherlands. It employs around 4,000 workers in Europe, with operations located in Austria, Belgium, France, Germany, Italy, the Netherlands, Spain and the UK (220 in the UK). The company has 13 subsidiaries. An Article 6 agreement was signed in April 1997. The deal was negotiated with a Special Negotiating Body (SBN) set up in line with the Dutch implementing legislation. The EWC has 13 representatives from employee side, with the largest proportion coming from the UK and France (3 representatives each). The company has held two annual meetings so far.

GKN PLC

A UK-owned firm in the metalworking sector and the first UK company to establish an EWC. It employs over 25,000 workers in the EU in 80 subsidiaries. Subsidiary companies are based in Austria, Belgium, Denmark, France, Germany, Italy, the Netherlands, Norway, Poland, Slovenia, Spain, Sweden, and the UK. An article 13 agreement was signed on 7 November 1995 establishing the European Forum. The European Forum has 30 employee representatives, with the largest proportion coming from the UK (13), and Germany (7). Three annual meetings and five Administrative Sub-Committee meetings have been held so far.

HSBC Holdings PLC

This company, which has its headquarters in the UK, primarily operates in the banking, finance and insurance sector. In 1997, the total European workforce stood at approximately 52,000, with just over 50,000 staff based in the UK. The company's European workforce is spread across approximately 25 subsidiaries in 11 countries including Austria, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Spain, Sweden, and the UK. The European Works Council is based on an Article 13 signed in September 1996. There are 10 employee side representatives on the works council, with 6 representatives from the UK.

Matsushita Electric Europe (Panasonic) Ltd

A Japanese electronics company with its European headquarters in the UK. The company has 10,000 employees across the EU. There are 38 subsidiaries across Europe, located in Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Spain, Sweden, the UK and Norway. An Article 13 agreement was signed in February 1996. The "European Congress" has 30 employee representatives, with the majority coming from the UK (12) and Germany (9).

Nestlé

A Swiss based multinational food manufacturer with approximately 85,400 employees in Europe (72,700 of whom are in Western Europe). The company has subsidiaries in most EU Member States (Belgium, Denmark, Germany, Greece, Spain, France, Italy, Ireland, the Netherlands, Portugal, Austria, Sweden and the UK) as well as in Norway. The company negotiated an Article 13 agreement with the International Food Workers Federation (IUF). The agreement to establish the "European Council" was signed in April 1996. The "European Council" includes 51 employee representatives 34 of whom have to be company employees. The highest number of representatives come from the UK (4), France (5) and Germany (4).

Sodhexo Alliance/Gardner Merchant

A French based company which operates in the contract cleaning, catering and hospitality sectors. In 1997, the European workforce stood at 93,470 distributed across 19 subsidiaries across 14 countries, including Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Spain, Sweden, UK and Norway. The European Works council is based upon the Article 13 procedures of the Directive under French law, and was signed in April 1998. There are 24 employee side representatives on the works council.

Tate & Lyle PLC

A UK company primarily involved in the food manufacturing sector, with a EU workforce which stands at approximately 4,100 (1997), out of a Group wide workforce of approximately 21,500. The company's European workforce is distributed across 23 subsidiaries in 10 European member states including Belgium, France, Germany, Greece, Italy, Portugal, Spain, The Netherlands and the UK. The European works council is based upon the Article 13 of the Directive and was signed on 24th September 1996. The European Forum has 14 representatives from the employee side with the majority drawn from the UK (10), where the majority of the workforce is located.

Table 1 summarises the organisational profile of the companies participating in the study providing information on industry sector; the country where they have their headquarters; the number of employees in Europe; workforce size in the UK; annual turnover in Europe; the number of employee representatives on the EWC and number of UK representatives on the EWC.

Table 1: Organisational profile of the companies participating in the study (sector, location of HQ, workforce size in Europe, workforce size in the UK, annual turnover in Europe, number of employees, representatives and number of UK employee representatives)

<i>Company</i>	<i>Sector</i>	<i>HQ</i>	<i>Workforce size in Europe (000)</i>	<i>Workforce size in the UK (000)</i>	<i>Annual turnover in Europe</i>	<i>No of employee reps.</i>	<i>No of UK employee reps.</i>
Barclays Bank plc	Banking/Finance	UK	72	60	£7.6 billion ¹	38 ²	18
BOC Group plc	Chemicals	UK	13	10	£1.1 billion	25	13
Caradon plc*	Metalworking	UK	19.5	14	£970 million	14	4
General Electric Plastics plc*	Chemicals	USA	4	0.2	£630 million	13	2
GKN plc	Metalworking	UK	28	14.5	£3.3 billion	30	13
HSBC Holdings plc	Banking/Finance	UK	52	50	£5 billion	10	6
Matsushita Electric Europe (HQ) Ltd	Electronics	Japan	10	4.5	£1.7 billion	30	12
Nestlé	Food	CH	72.5	19	£11 billion	51	4
Sodhexo Alliance	Catering	France	93.5	50	£1.2 billion	24	5
Tate & Lyle plc	Food	UK	4	2.5	£1.3 billion	14	10

¹ This figure represents the Group's annual turnover world-wide.

² The BGEF has 38 representatives who are employees of the Barclays Group. In addition, the General Secretaries of UNIFI and BIFU, or their nominees from these bodies are invited to attend the annual meeting on a permanent basis.

Three

APPROACHES ADOPTED TO IMPLEMENT THE PROVISIONS OF THE DIRECTIVE

3.1 Types of agreement

Of the companies interviewed, eight had agreements based on Article 13, while two were based on Article 6. It was intended to include a higher number of companies with Article 6 agreements in the sample, but others identified declined to take part.

Selecting Article 13 or Article 6 agreements

Of the companies with Article 6 agreements covered by this study, one was non-EU foreign owned (General Electric and Plastics plc) and the other was a UK company (Caradon plc). Considering the limited number of Article 6 agreements covered by the research, it is not possible to assess whether negotiations through a Special Negotiating Body are indeed less flexible or more time consuming, lead to less flexible EWC arrangements, or are more costly to conclude and operate, as has been widely argued. From the two examples captured by this research, this does not appear to be the case.

Where Article 6 agreements were favoured over Article 13 agreements, this was usually related to time considerations. Caradon, for example, considered SNB negotiations to be preferable, as the company felt it would have better influence over the structure of the agreement and the timeframe for negotiation. General Electric and Plastics plc based its Article 6 agreement on Dutch legislation, as the company's European headquarters are located in the Netherlands. The company therefore had most experience with employee information and consultation structures in this country, and human resources management had established relations with employee representatives in the plant. Representatives from each subsidiary located in a country, which met the size specifications of the Directive, were involved in the SNB. Cost did not enter into the decision and, as we shall see, there were no ostensible differences in the costs between these and the Article 13 agreements.

Only two of the other agreements specifically mention a legislative base, with the agreement at Panasonic being based on Irish legislation and the Sodhexo agreement based on French law. This is not unusual. The 1998 European Foundation study on the voluntary EWC agreements found that only 60 per cent of agreements specifically

mentioned a legislative base.⁴ This was found to be most common among companies based in Belgium, France, Norway and Japan. In Belgium and France, agreements have to be registered under national law.

Companies which chose to negotiate Article 13 agreements usually preferred this option because of the perceived greater flexibility of the voluntary procedure and the ability to tailor the agreement to the needs of the company, befitting its "strategy and philosophy". Several UK based companies argued that they preferred to negotiate voluntary agreements to avoid problems envisaged in relation to the involvement of UK representatives under Article 6 (in the light of the UK opt-out at the time). All companies were keen to include and fully involve their UK representatives, to preclude difficulties resulting from any future change in UK government policy.

3.2 Prior experience of European level information and consultation

The extent to which employers had prior experience of information and consultation arrangements is often argued to have had a significant impact on their readiness to negotiate EWC agreements. The pre-existence of good relations between employers and trade unions and other employee representatives is also regarded as an important factor speeding up the process of reaching a European level agreement.

It is difficult to verify or disprove such arguments on the basis of our small-scale study, particularly as most of the agreements studied here were voluntary Article 13 agreements signed in the first wave. On the basis of experience reviewed here, there seems little evidence that companies with traditionally good employee relations negotiated agreements more quickly or achieved different outcomes.

Only one company in the study had a long-standing record of a transnational exchange of information. The Swiss multinational, Nestlé, had been holding annual meetings since 1990 with the IUF and affiliated unions representing workers in its subsidiaries, in order to exchange information on the business situation and discuss matters of mutual interest. A key feature of information and consultation practice at Nestlé is the size and global nature of the concern and the proximity and long standing working relationship with the Geneva-based International Union of Foodworkers (IUF). The company argued that it would have preferred to continue this information arrangement for the exchange of information, but finally embraced the Directive, establishing the Nestlé European Council within its existing

practice. The IUF was responsible for negotiating the agreement with management and acted as the employee side signatory to the agreement. It is also closely involved in the selection of representatives to sit on the Council and has a voice in the information and consultation body through full-time officials (34 of the employee representatives on the Nestlé European Council have to be Nestlé employees, the rest are nominated and selected by IUF).

While none of the other companies in the survey had any previous experience of transnational employee information and consultation arrangements, all companies (including the UK companies) had experience with employee information and consultation arrangements and bodies either at home or in the other Member States. Thus, for example, the companies with operations in Germany had experience of working with company works councils (Betriebsräte), or, in the case of France, with the Comité d'entreprise. Local management was therefore very much aware of information and consultation practices (in many cases going far beyond the provisions of the European Works Councils Directive) and was able to provide advice to central management in the UK (in the case of UK companies).

All companies had channels for information and consultation among their various sites in different Member States.

All UK companies also had more or less formalised channels for the exchange of information between management and employees at company level in the UK. This was either through elected workforce representatives, representatives of staff unions and/or other elected trade union representatives. All companies surveyed had recognised trade unions, although in some business units this was not the case. In all the case study companies with the exception of the undertakings with Article 6 agreements (where the signatory to the agreement was the SNB, which nevertheless contained union members) trade unions were party to the EWC agreements.

In the case of non-unionised business units, representatives to sit on the EWC were generally selected from existing employee representation bodies. For example, in 1996, Panasonic UK set up the Panasonic UK Communication Committee (or PUCC) for the purposes of communication and consultation between management and employee representatives on issues such as company performance, health and safety, training and plans for technological and organisational change. Direct elections to this body take place in 12 divisions on the basis of nomination and a subsequent ballot. To ensure continuity on the

body, 50 per cent of representatives are elected for a two year term, while others serve a three year term. It is representatives from this body who represent Panasonic UK on the Panasonic European Congress. Representatives from the undertaking's manufacturing companies (which operate a single union agreement) are nominated from existing employee advisory boards.

Despite having experience of employee information and consultation at various levels and in different Member States, all the companies said that the formation of a European information and consultation body was the direct result of introduction of the Directive and would not otherwise have taken place at that time.

Nevertheless, most companies felt that the implementation did not impede the development of any employee communications or employee relations strategy. Two companies, Nestlé and Panasonic, said that the provision of the Directive basically fitted into their existing information and consultation strategy. Tate and Lyle said that the Directive provided a catalyst for the development of a more comprehensive company communications strategy, which is seen to be a positive development. However, the same company also said that, given more flexibility, their information and consultation forum would have been more globally orientated, as it has many subsidiaries outside the EU and Europe.

3.3 Negotiating the agreement

All companies appointed a member of staff or staff team to oversee the implementation of the Directive. This generally involved a transnational team of senior managers, including the HR Director. In the case of GEPE and Caradon a Special Negotiating Body was established. Selection for this body was on the basis of national rules and practice. In the UK selection was by nomination and workforce ballot (see Table 2 for more information).

The time taken to negotiate the agreement was, in many cases, surprisingly short and ranged between two months and two years, with the majority requiring between 3 and 6 months. Companies held an average of ten management meetings, five joint management meetings and three-four joint employee/management meetings (irrespective of the overall period taken to negotiate the accord).

Factors which were seen to have assisted the speedy negotiation included:

- the confirmed mutual intention to reach an agreement;

- positive management attitude in relation to establishing a European information and consultation forum;
- the short time between negotiating sessions;
- the use of experts;
- the lack of a “hidden agenda”;
- pressure of deadline for voluntary agreements.

Decelerating factors included:

- problems in arranging UK union representation (often the number of seats was insufficient to accommodate all UK unions represented in the company);
- the need to define electoral methods in the UK;
- management reluctance to formalise existing practice;
- clarifying the position of trade union representatives and other employee representatives;
- setting the number of employee representatives;
- moderation of what were considered the “unreasonable” expectations of some continental unions who perceived the role of the EWC to be a negotiating forum.

The last factor was mentioned in particular by management representatives at BOC. In keeping with German information and consultation legislation, representatives from the German metalworkers union, IG Metall, were keen to make the BOC European Forum an information, consultation and negotiation body. This was strongly opposed by the management.

Barclays Bank management encountered opposition from employees to the sectoral approach suggested for the forum and employee representation. The company considers a sectoral approach to be more meaningful because of the different issues affecting different business units. Trade union representatives considered this approach to be unnecessarily divisive.

HSBC identified the determination of electoral methods in the UK and the split between works councils and trade union representatives in Germany and France as the main decelerating factors. Sodhexo experienced similar difficulties with UK representation on the negotiating body, as only two seats were available for three competing unions.

One special factor that GKN identified as helping the process of negotiation was the fact that the UK trade union official who led the employee side negotiating team had been seconded to the European Metalworkers Federation in Brussels and had therefore had prior involvement with the issue of European Works Councils and had access to an established network of contacts to assist in resolving issues.

One company, Tate & Lyle, had assistance from an employment consultant in drafting its agreement. However, consultation took place with all the business units and unions to finalise the details of the agreement before a training event was held for the employee representatives to explain the purpose and operation of the European Forum. On the whole, the use of external experts in the set-up phase was fairly limited. The majority of undertakings drew on the expertise of internal legal departments, company lawyers, and in some cases employee representatives with experience in EWC negotiations elsewhere. International trade union confederations also played a significant role in advising the negotiating parties. Most of the undertakings at some stage took out membership of the EWC Study Group which provides documentary information about existing EWCs and expert advice on the negotiation and operation of European employee information and consultation bodies. Most agreements closely draw on the format and requirements of the Directive, as well as the experience of other agreements in order to ensure compliance.

3.4 Employee side signatories to the agreement

The make-up of employee side signatories to the EWC agreement varied widely from company to company:

- two agreements were signed with national trade unions in two or more countries;
- one was signed with a European trade union federation and an employee side EWC;
- one agreement was signed with the national trade union, an employee side EWC and employee representatives;
- one was signed with a special negotiating body and a national trade union;
- one was signed with a special negotiating body;
- one was signed with employee representatives only;
- one was signed with an international trade union federation;
- one was signed with national works councils, national trade unions in two or more countries and was countersigned by the European employee federation;
- one was signed with a national trade union.

All information and consultation bodies surveyed were joint company-employee committees (rather than employee side only fora), though there was also provision for employee pre-meeting and “select committees” (see Section 3.6). With the one exception of Nestlé, all agreements covered the entire group at EU level and more than half covered the entire EEA. In the case of Nestlé,

management and the different trade unions involved in each of the sectors agreed that separate EWC agreements would be better fitted to dealing with the different issues arising within the two companies, many of which were sector specific. This contrasts with what happened in Barclays (discussed in 3.3 above) where the company's preferred sectoral approach was resisted by the trade unions on the grounds that it was unnecessarily divisive. Notwithstanding that Alcon is the only company in the survey which has opted for separate sectoral agreements (a subsidiary of Nestlé, which operates in a different sector from the company's core activity), a number of managers observed that the organisation of an EWC by sectoral business unit may, in future, be considered because of the different issues affecting different units. It is already the case that many of the extraordinary meetings convened do not include all business units (and countries). These meetings are seen to allow for more focused discussion on issues relevant to the sector/type of business activity.

3.5 Selection of employee representatives

Employee representatives on the negotiating team – and the information and consultation body once established – were generally appointed according to national rules and practice in each Member State. In many cases they were individuals drawn from existing representation structures, such as works councils. In the absence of such formal structures of representation in UK companies, different methods of selection were chosen for UK representatives (see Table 2). Most companies opted for a “split of representation”; for example, with one part made up of representatives nominated directly by the recognised trade unions and the other of directly elected representatives from open nominations of the relevant workforce (either the entire workforce or by business unit). Plants or business units with low levels of unionisation in particular were given the opportunity to nominate and elect their own, non-union representatives.

Competition for seats was, on the whole, limited, with some notable exceptions (see Table 2). Turnout at elections varied substantially from under 10 per cent to almost 100 per cent. High turnout rates tended to be associated with proactive campaigns informing employees of the purpose of the European information and consultation forum and encouraging them to vote. This was the case at GEPE.

In the UK, workforce ballots, where these did take place, were generally administered by the Electoral Reform Society.

In most cases the terms of office are according to national rules and practice (usually three years). However, in the case of HSBC, terms of office were staggered (two and three years) to maintain a level of continuity among representatives.

The allocation of the number of employee representatives per country generally took place by application of a formula based on workforce size.

Table 2: Methods of selection of UK representatives

<i>Company</i>	<i>Number of UK representatives</i>	<i>Selected by trade unions</i>	<i>Directly elected</i>	<i>Size of workforce balloted</i>	<i>Number of nominations</i>	<i>Turnout at elections</i>
Barclays	20 (18 employee representatives plus 2 trade union officials)	8	10	3 seats allocated to non-unionised areas which conducted their own internal elections; 2 seats allocated to investment area of bank, which carried out own elections 5 from unionised areas	18 stood for the 5 seats in the unionised area of the bank	11,718 papers returned out of 61,498 (19% response rate)
BOC	13	None	13	entire workforce	20 for 13 seats	10,000
Caradon	4	None	4	entire workforce	no information	no information
GEPE	3	4 nominated to stand for election 1 other candidate nominated by sales office	3	entire workforce	5	217 out of 220 voted
GKN	13	10 appointed collectively with assistance of EMF	3 non-union members appointed from plants with substantial number of non-union employees	n/a	n/a	n/a
HSBC	6	none	6	entire workforce	depends on constituency – ranged between 3-18	40-45%
Matsushita	12	none	12 seats – 1 from each division	entire workforce through PUC elections and election to employee representative bodies in manufacturing companies	depending on constituency – between 2-6 per seat	no information
Nestlé	4	4 nominated by IUF in consultation with local unions	none	n/a	n/a	n/a

Table 2: Methods of selection of UK representatives

<i>Company</i>	<i>Number of UK representatives</i>	<i>Selected by trade unions</i>	<i>Directly elected</i>	<i>Size of workforce balloted</i>	<i>Number of nominations</i>	<i>Turnout at elections</i>
Sodhexo	5	2, some competition	3	entire workforce	n/a	n/a
Tate & Lyle	10	because 3 unions are represented				
		5 union members were nominated from refinery by their union	1 at HQ 4 at United Molasses Group	workforce in each business unit	all seats uncontested	turnout low, particularly at HQ

3.6 The role and operation of the EWC

Three companies said that the scope of the EWC was restricted to information and consultation (GEPE, Barclays and Nestlé). In six further companies this was extended to giving opinions and comments and one company also used the EWC to make recommendations regarding its operation (BOC).

Competence of the EWC

All agreements stated that the competence of the EWC included information and consultation on the company's economic and financial situation as well as developments in business production and sales. However, the majority extended the competence of the EWC beyond this narrow remit (see Table 3 below).

Table 3: Competence of EWC in companies interviewed

<i>Competence</i>	<i>Number of companies</i>
Economic and financial situation	10
Business production/sales	10
Employment/social issues	9
Environment	7
Investment	6
Training	6
Organisation	6
Transfers/mergers/cutbacks	6
Health and safety	6
Equal opportunities	5
Structure	5
New working methods/technology	4

The position of experts/external participants

All the agreements allowed for the participation of one or two external experts in the preparatory and full meetings (although in some of the agreements, participation is restricted to the select committee meeting). External experts were nearly always requested by the employee side and were full time trade union officials (from either national or transnational unions). In the case of Nestlé, 17 trade union officials form part of the information and consultation body and there is no provision for further experts. In all cases, the cost of the attendance of experts is covered by the company (travel and subsistence, expert fee).

Provision for a "Select Committee"

Eight out of the 10 agreements studied make provision for a "Select Committee" (although different names were used for this body). With one exception (Nestlé), these committees are employee side only and provide a forum of three-four members to liaise with management on agenda items for the full meetings, discuss urgent issues affecting employees in more than one Member States, and consult on the need to call extraordinary meetings, etc. In the case of Nestlé this committee is called upon when required for consultation purposes, with its composition varying depending on the issue to be discussed.

Ordinary select committee meetings usually take place two-three months before the full meeting to help set the agenda and assist with organisational matters. The cost of such meetings tends to be low in comparison with full meetings.

Number of meetings of the EWC

One ordinary meeting is usually scheduled per year (though in the case of HSBC two meetings are scheduled). All agreements also allow for employee pre-meetings which are usually held the day before or on the morning of the full meeting. None had a provision for management pre-meetings, but these do tend to take place prior to the full meeting. In practice, all agreements allow for extraordinary meetings to be called (though in one case this is not explicitly mentioned in the agreement). These meetings are usually precipitated by such things as large scale restructuring in one or more countries. They usually bring together central management and management and employee representatives from the sites affected (though in the event of large scale restructuring a full meeting can be called). The purpose of these meetings is limited to information and consultation, with management decisions ultimately unaffected. Half of the companies interviewed have not yet held any extraordinary meetings. Another four have held one or two meetings and one company had held nine meetings (Barclays). All such meetings had been called by the management side in relation to large scale restructuring.

In six cases, the responsibility for preparing meetings lay with the employer side, in four cases this responsibility was seen to be a joint one (Nestlé, Matsushita, Caradon, GEPE).

Full EWC meetings tend to be held at hotel or conference venues, as interpretation is required. However, a number of the larger multinationals have their own venues and accommodation and are therefore able to reduce substantially the cost

of holding meetings (Nestlé, HSBC, Sodhexo, Tate & Lyle). Commonly, the meetings tend to be held near the site of the company's European HQ, although this is not always the case. A number of companies preferred venues near the airport and one company actually held meetings in different countries on a rotating basis (GKN). This led to significant variations in the cost between companies.

Costs covered by the undertaking

The cost of translation and interpretation is among the highest cost associated with establishing and maintaining a European employee information and consultation structure. The number of languages to be translated into and therefore the cost is directly related to the number of countries of origin of employee representatives and their language capabilities. This cost can therefore vary significantly. The companies interviewed provided translation and interpretation into between one and nine languages. Unlike accommodation and hospitality facilities, which some companies are able to provide in house, this is a facility which has to be purchased externally and can require specially adapted meeting rooms. Table 4 shows the languages translated for each company.

Panasonic said that it strove to obtain a membership of the EWC that was fully conversant in English. However, this has so far proved impossible and the company provides translation as required. Language training is offered to those employee representatives not conversant in English. However, it is considered that a high level of fluency is required to follow EWC meetings, a level of fluency which is difficult to achieve through language lessons alone. Panasonic therefore encourage their staff to speak English in their working environment if possible. GKN offers language training to the majority of its employees, irrespective of whether they sit on the EWC or not.

End Notes

⁴ Marginson, Gilman, Jacobi and Krieger, *Negotiating European Works Councils: An Analysis of Agreements under Article 13, 1998.*

Table 4: Languages for which translation facilities are provided by each case study company

<i>Company</i>	<i>Translation into following languages</i>
Barclays Bank plc	6 (French, German, Spanish, Greek, Italian, Portuguese)
BOC Group plc	6 (German, Italian, Dutch, French, Norwegian, Polish)
Caradon plc*	2 (Dutch, German)
General Electric Plastics plc*	2 (French, Italian)
GKN plc	4+ (French, German, Italian, Spanish and others as required)
HSBC Holdings plc	1 (French)
Matsushita Electric Europe (HQ) Ltd	4 (German, French, Spanish, Italian)
Nestlé	6 (Italian, German, French, Dutch, Spanish, Swedish)
Sodhexo Alliance – Gardner Merchant	1 (French)
Tate & Lyle plc	1 (Portuguese)

* indicates Article Six Agreements.

Four

CALCULATING THE COST

4.1 Accounting for costs

None of the companies interviewed carried out a cost-benefit analysis prior to initiating the drawing up of an EWC agreement or said that they had, at any stage, assessed the cost of establishing such a body. It was generally perceived that the EWC was a statutory requirement and therefore a cost-benefit analysis was not appropriate.

There was therefore some difficulty in gathering information on costs. In our interviews we sought information costs under various headings. These covered:

- management time
- representatives' time (for meetings, etc.)
- venue
- subsistence
- translation and interpreters
- administrative support, documentation
- experts

A more detailed list of items is in the Schedule of Information Requirements reproduced in the Annex. We sought information on both financial costs and the opportunity costs involved (that is the cost of taking resources away from other activities). For a variety of reasons several respondents were not able to provide detailed estimates of costs.

Several items of costs tended to be absorbed into the local running costs of the subsidiaries involved, and, because of the relatively small sums involved, were not directly measured. For the majority of companies this was the case for: all management time, all paid time off for employee representatives, administrative costs, dissemination costs. This left only the cost of the venue, translation, interpretation, accommodation and travel as centrally funded items. These costs were generally accounted for under the personnel/employee relations budget.

Where respondents were not able to provide detailed estimates of costs, we sought information on the resources used. This included the number of meetings and the number of individuals involved. Using that information we have constructed our own estimates of the opportunity costs of management and staff time. We did this using the findings from those organisations that did provide cost information. From them we derived a daily cost of £120 for management representatives and £100 for employee representatives. Despite this

we were still unable to identify some elements of costs. We cannot always tell whether this is because they were not recorded or because there were no costs in this category or they have been absorbed under another heading. The latter possibility suggests that the estimate of total costs may be more reliable than the analysis of individual categories of cost.

We concentrate on the annual running costs first and turn to set-up costs afterwards, mainly because the information on set-up costs was less complete. Many of the issues regarding the composition of costs can be discussed more fully in the context of running costs. Another reason is that there is perhaps greater similarity between EWC in their operation than there is in the process by which they were set up. In presenting the data the emphasis is on the range between the highest and lowest cost, to indicate the diversity, but we also give where appropriate as a central estimate the mean and median and find that most of the time these two measures are very close to one another.

Note that all of the estimates here are gross costs, rather than net as we did not ask about the costs of previous practices (most obviously relevant for Nestlé) and did not ask about any activities that had been displaced as a result of the creation of the EWC.

4.2 Running Costs

In most cases the annual cost was simply the cost of an annual meeting and associated preparatory meetings. Only in the case of HSBC does the agreement provide for two regular annual meetings, one following the publication of the annual report and one after the publication of the interim report. However, all allow for extraordinary meetings and half had had such meetings. In the case of Barclays Bank, for example, eight such meetings had been held in the last three years. In addition eight out of the ten have provision for select committees (sometimes under alternative titles) the purpose of which is to meet two-three months before the full meeting to set the agenda and assist with organisational matters.

Cost of annual meeting

The most striking feature of our findings is perhaps the great range in the total costs and the variety in the composition of costs. Running costs per meeting ranged from £15,000 to £88,000. The lowest cost per meeting being HSBC with its predominantly UK workforce, though it was the only one to have two meetings per year so the annual cost was not the lowest. The average was £53,000 (and median was £54,000).

How this average is made up is shown in Figure 1. This diagram is based on the sum of all the costs in all the case studies, so no particular case study corresponds exactly to this pattern. Indeed, there was a great variety: travel and subsistence for instance ranged from 2 per cent of the total for Tate & Lyle to 63 per cent of costs for Panasonic. (How much of this difference is due to the problems of identification and categorisation noted above we cannot say).

The largest items of cost, accounting for over two thirds of the total, were generally:

- the venues and accommodation
- travel, an average of £10,000
- interpretation and translation

Venues and accommodation, interpretation and translation are described in more detail below. The other categories of expenditure are relatively small. For instance, experts, used in six of the companies, cost about £3,000 and administration, where separately identified, cost about £2,000.

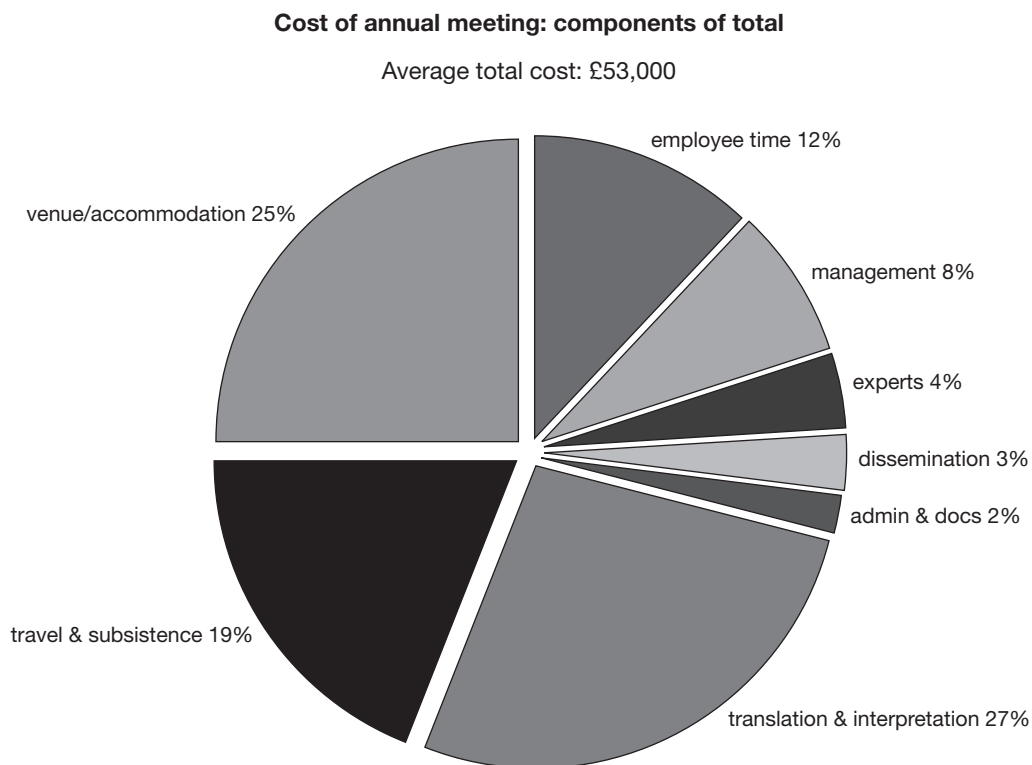
We found great variation between companies. While there are some similarities in the pattern of costs (e.g. the venue and accommodation accounted for over a third of the total in the most expensive cases), the differences are more striking.

This overall cost was therefore influenced by the following:

- the size and composition of the employee side;
- the availability of company owned venues;
- number of languages required for translation/interpretation;
- the method of selecting employee representatives (e.g. requirement for balloting).

There was little association between cost per meeting and company size. One might expect there to be some economies of scale which would mean that cost per employee was lower for larger companies. However, we did not find any such relationship between costs per employee and the number of employees. Companies with similar sized workforces had quite different costs. The reason for the lack of any relationship with size appears to be that costs are most directly related to the number of representatives. Bigger organisations had more representatives, more translation and more travel. There were few costs that were relatively fixed whatever the size of the company or of the EWC.

Figure 1: Shares of total costs



Note: derived by adding all costs across all organisations

There was in comparison a surprising degree of uniformity in the cost per employee representative. Although the range was between £900 and £4,500 the highest cost was found in one company with high interpretation costs and if translation and interpretation are excluded from the costs, the range is fairly narrow: seven of the ten organisations had a cost per representative between £900 and £1,900.

Cost of venues and accommodation

Full EWC meetings tended to be held at hotel or conference venues, as facilities offering interpretation were required. However, a number of the larger multinationals have their own venues and accommodation and are therefore able to reduce substantially the cost of holding meetings (Nestlé, HSBC, Sodhexo, Tate & Lyle).

Commonly, the meetings tended to be held near the site of the company's European HQ, although this was not always the case. A number of companies preferred venues near an airport and one company actually held meetings in different countries on a rotating basis (GKN). This led to significant variations in the cost between companies. All but one company gave cost for venues, ranging from £1,000 (Tate & Lyle with a small European workforce mostly in the UK) to £36,000. Where a cost was given the median was £9,000. Cost per representative ranged from £80 to £1,800, with mean and median about £600. The venue accounted for between 10 per cent and 40 per cent of total costs with an average of approximately about a quarter. (The organisation where it was 40 per cent of the total was the one with the highest total cost per meeting).

Cost of translation and interpreters

The cost of translation and interpretation was among the highest cost associated with establishing and maintaining a European employee information and consultation forum. The number of languages to be translated into and therefore the cost was directly related to the number of countries of origin of employee representatives and their language capabilities. This cost can therefore vary significantly. The companies interviewed provided translation and interpretation into between one and nine languages. Unlike accommodation and hospitality facilities this is a facility that has to be purchased externally and can require specially adapted meeting rooms. Although we have grouped them together here, interpretation was generally more costly than translation.

The cost of translation and interpretation ranged from £1,000 per meeting (for a company with over 90 per cent of its European employees in the

UK) to £35,000, with an average of £15,000 (and median of £12,000). The costs tended to be higher where the number of representatives was greater, though there was a wide range of costs per representative. Translation cost accounted for between 10 per cent and 40 per cent of total costs with an average of just over a quarter. Cost per representative was lower where the number of representatives was low (less need for interpreters) or high (where there were some economies of scale).

Cost of select committees

Nearly all of the company agreements had provision for a select committee to meet before the annual meeting and to prepare the agenda, usually involving three or four employee representatives. Without the cost of venues and reduced need for interpreters the costs were very low – about £1,500 to £2,000 per meeting. There tended to be one or two meetings for every main meeting. Without these meetings it is possible that the annual meetings would have been both less manageable and, as a consequence, more costly.

Costs of extraordinary meetings

All the agreements allow for extraordinary meetings and about half had had such meetings in the two years the EWCs had been operating (Barclays had had several). They usually only involved the representatives from plants affected by large scale restructuring, and so are smaller than annual meetings. Again, the reduced requirement for venues and interpreters meant that the costs were substantially reduced, to only £1,500 to £2,000 – only a thirtieth of the cost of a full meeting.

Total running costs

While our case studies show that there is no such thing as a typical arrangement, we can suggest that on average each EWC meets once a year with two select meetings and an extraordinary meeting every other year. Using the average costs would give a total annual cost of about £60,000.

Bearing in mind the context of this study, the imminent application of the Directive in the UK it is worth noting that the company with the lowest unit costs in several respects was HSBC followed by Tate & Lyle. These companies are perhaps most like the organisations that will be covered by the extension of the Directive. That is, organisations where the workforce in the rest of the EEA is less than 1,000 or is spread so that only one country has more than 150 employees in it. It is therefore likely that for those companies that will have to introduce EWC following the new regulations, the costs will be at the lower

end of the ranges found or our case study organisations. A workforce concentrated in one country is likely to mean lower costs for translation and interpretation, venue and accommodation, and for travel and subsistence.

4.3 Set up costs

Very few companies monitored set-up costs directly, as most of these costs were subsumed into the HR budget and local operating budgets. Some companies gave estimates of what these costs would have been. For those that were unable to do so, we gathered available information on the number of management meetings, joint meetings and employee meetings held during the set-up phase, the number of individuals involved and the number of days taken for each meeting. There were more gaps than in the running cost estimates, particularly for the largest companies. Because of the omissions in the data it is difficult to make strong generalisations.

Including our estimates for resource costs, we estimate the total cost of setting up an EWC ranged between £3,600 and £105,000, with an average (among our ten cases) of £38,000 (and a median of £34,000). There was no sign of a difference for EWCs set up under Article 6 agreements.

There is some suggestion of economies of scale, in that the two largest companies had the lowest cost per employee whilst the company with the smallest workforce had the highest cost per employee. However, that high cost was more than four times the cost for a company only slightly bigger. Excluding the one high cost example the average cost per employee was £1.

However factors other than size were more important. Low costs appeared to be associated with simplicity of negotiation. At the extreme, Nestlé had relatively low set up costs because it already had some transnational machinery and had a simple negotiating process with the IUF so did not have costs for venues, travel or interpreters, and because it was dealing with union officials it did not have costs for employee representatives.

There is little sign of an identifiable pattern in the costs. The largest item of expenditure in all cases was management time, taking typically a quarter of total costs. Next highest on average was interpretation although half the companies did not identify it as a separate cost. For one organisation this was half of the total costs. This was followed by employee time, and the cost of the venue. Four did not record a cost for the venue but among those that did it ranged from £800 to £15,000. (The high cost was incurred by

one of the largest firms, which had a large number of representatives).

Six had made use of outside experts (for one side or another): but costs ranged from £1,000 to £7,000. Ballot costs were identified by four companies as being between £13,000 and £17,000 (Assuming that this was used only for the UK representatives that gives a typical cost of just over 25p per UK employee).

Cost per representative showed greater consistency than did overall costs. For the six organisations that gave a detailed breakdown of costs, the range was between £1,200 and £4,700. The smaller companies generally having a lower cost per representative. This does not contradict the statement that they tended to have higher costs per employee, because they tended to have fewer employees per representative.

Training costs

A number of companies provided initial training to employee representatives in relation to the aims and objectives of the EWC, but none of them accounted for management time or staff time spent on training. Caradon held the training in Brussels, which was part funded by the European Commission, which supports projects relating to EWCs.

4.4 Non-quantifiable costs and benefits

Costs

Companies were also asked about the less quantifiable employment relations costs and consequences of EWCs (see Table 5). Here, the companies showed that their most immediate concerns were that the EWC had raised employee expectations of what this forum could achieve, particularly in terms of influencing management decisions in relation to restructuring, employment and working conditions. This is seen to be particularly the case with representatives from countries which have experience of employee information and consultation structures which have wider reaching information, consultation and negotiating rights. Furthermore, EWC were perceived to increase bureaucracy unnecessarily and place a burden on management time. At the same time, this process of consultation was not seen to slow down management decision making, as extraordinary meetings to discuss, for example, anticipated restructuring, could be convened fairly quickly and there was no perception that the outcome of management decisions was essentially changed by the consultation process.

Three companies expressed concern about the duplication of responsibilities between EWCs and national level information and consultation bodies. Generally, this was the case in companies where the majority of the workforce was located in one country, with only comparatively small subsidiaries and other countries covered by the Directive.

BOC said that the Directive raised some concerns in relation to the impact on the operation of national works councils in certain Member States and that this remained a concern.

Barclays Bank considered the EWC structure to be somewhat artificial since businesses in the individual Member States operated largely autonomously. While a number of issues affecting business units transnationally had to be discussed at the level of the European Forum, they were also subject to negotiations in local works councils (particularly in Germany, where works councils are involved in negotiating social plans in the event of restructuring). The concern was about inconsistency; that, for example, restructuring issues discussed at European level could result in different negotiated outcomes because of differing national information and consultation rights at the national level.

HSBC also said that the European information and consultation body was somewhat artificial, since the vast majority of European employees are based in the UK. It was therefore sometimes felt to be difficult to identify issues of transnational interest. Caradon plc said that had it not been for the provisions of the Directive, an information and consultation forum would have been established at a higher level, primarily with the objective of fostering an exchange of good practice and bench-marking.

Regarding the long term impact of EWCs, four companies argued that this might foster calls for transnational collective bargaining. However, because negotiations were excluded from the Directive, they were not currently considered a serious threat.

Benefits

In terms of the benefits of EWCs (see Table 6) companies perceived such forums primarily to have symbolic value in terms of demonstrating a positive commitment to employees. Five companies welcomed the ability to exchange information with employee representatives and to involve them more closely in the business, as this was seen to foster greater understanding for management decisions.

Two companies also saw improvements in productivity, increased co-operation or competition between workplaces, the development of a European corporate culture and increased trust between employees and management. The majority of companies highlighted the fact that employee representatives were appreciative of the presence of top level management at the EWC meetings, thus re-enforcing the importance accorded to the body by management.

Companies said that the impact of the EWC tended to be greater in countries which were already used to employee information and consultation structures as they were better able to understand and use these structures and the information provided, and were in many cases already set up to distribute information about the proceedings of these events.

Table 5: EWCs, perceived negative employment relations consequences

<i>Potential costs</i>	<i>No impact</i>	<i>Immediate impact</i>	<i>Impact 2-5 years</i>
Raises employee expectations	4	6	none
Increases bureaucracy	4	6	none
Causes unnecessary duplication	7	3	none
Results in unnecessary rigidities in employee relations	8	2	none
Fosters calls for transnational collective bargaining	6	none	4
Slows down managerial decision making	8	none	2
Leads to breaches of confidentiality	9	none	1

Table 6: Nature and timeframe of potential benefits associated with EWCs

<i>Potential benefit</i>	<i>No impact anticipated</i>	<i>Impact felt Immediately</i>	<i>Impact anticipated over 2-5 years</i>
Symbolic value	2	8	
Impact on employee commitment	8		2
Increased trust	6	2	2
Positive impact on bench-marking	9		1
Increased co-operation or competition between workplaces	7	2	1
Ability to exchange information with employee representatives	5	5	
Improving employees' understanding of reasons for management decisions	5	3	2
Involving employees more closely in the business	5	5	
Positive benefits from hearing employee views	8	1	1
Developing corporate culture	6	2	2
Aiding organisational change	9		1
Increasing productivity	8	2	
Improving strategic planning	10		
Other	10		

Three companies argued that employee representatives had requested training on how to use and interpret the financial information provided at the meetings with regard to the performance of the business. Many representatives, they said, currently find this information difficult to digest, use and communicate to their constituents

Five

CONCLUSIONS

Despite the fact that the UK did not initially sign up to the Maastricht social protocol, upon which the European Works Councils Directive is based, a significant number of UK companies have concluded voluntary agreements for the establishment of European information and consultation bodies in the first phase of implementation, as their operations outside the UK fell within the scope of the Directive. The vast majority of agreements concluded by UK-owned and non-UK-owned multinationals opted to include their UK workforce in their agreements.

The experience of the companies involved in the study suggests that the way in which the provisions of the Directive have been implemented, either through Article 13 or Article 6 agreements shows differences in detail rather than overall approach. The provisions of the Directive itself and the experience of companies which had already concluded European Works Councils agreements, clearly played an important part in shaping the nature of the agreements studied here. While only one of the agreements studied was drafted by external experts, many companies availed themselves of some form of external advice during the drafting process.

While the structure and number of employee representatives on the European information and consultation bodies largely depended on the size of the company (in terms of workforce and number of subsidiaries) and its geographical spread, the scope and responsibilities of each EWC depended more directly on the specific agreement negotiated. Little variation was found in relation to the number of meetings held per annum, provision for extraordinary meetings and pre-meetings, select committee meetings and the participation of external experts. However, more variation was evident in relation to the competence accorded to the EWC, with many agreements limiting information and consultation to the economic and financial situation of the company, business, production and sales, and employment issues.

The following were found to be of key importance in terms of the cost of the EWC:

- the number and country of origin of employee representatives;
- the availability of company owned conference venues, as well as accommodation and catering facilities;

- the number of languages required for translation/interpretation;
- the number and facility for holding extraordinary meetings;
- the method of selecting employee representatives (particularly in the UK).

The cost of setting up and running the EWCs therefore differed significantly from company to company.

In terms of non-quantifiable costs, there was some concern that EWCs had raised employee expectations and increased bureaucracy. This was seen to be particularly the case in relation to employee representatives from countries with a strong tradition of employee representation, who were keen for the EWCs to have powers beyond information and consultation. Employers strongly resisted any such moves and there is little indication that this approach is changing. It is strongly emphasised that European information and consultation bodies must not and do not undermine management's right to manage.

The benefits of EWCs were clearly seen by companies to be more symbolic than real, although a significant number appreciated the opportunity to exchange information and involve employees more closely in the business and were beginning to think about new ways of organising and utilising the forum.

Finally, it is therefore clear that EWCs are still evolving. This relates both to practical arrangements (seating arrangements, selection of venues, etc.), as well as to more substantive issues. A significant number of companies expressed ideas for changing the current structure of their EWC to allow a greater sectoral/business unit focus. This is seen to be more meaningful in relation to the different issues affecting each sector. At the same time, employees are increasingly expressing an interest in receiving further training to help them understand the business and financial information provided by the company. It is therefore possible that EWCs will evolve into more targeted and active structures for information exchange and consultation.

ANNEX A

SCHEDULE OF INFORMATION REQUIREMENTS

Section 1 – Company Information

1.1 Company Name

1.2 Address of Company Headquarters/UK Headquarters

1.3 Contact details

1.4 Sector

1.5 Size of total workforce

1.6 Annual turnover, (state level group, European group, etc.)

1.7 Country where company is headquartered

1.8 Number of subsidiaries, operating companies/establishments roughly

1.9 Countries in which subsidiaries are located (in left hand column tick all countries with subsidiaries, in right hand column tick countries in which workforce size passes the Directive’s threshold. It would be helpful, but not essential, to have a rough number of employees in each country)

Country	Subsidiaries which pass Directive's workforce size threshold
Austria	
Belgium	
Denmark	
Finland	
France	
Germany	
Greece	
Ireland	
Italy	
Luxembourg	
The Netherlands	
Portugal	
Spain	
Sweden	
UK	
other EEA	
outside EEA (please specify)	

Section 2 The Agreement

2.1 Is the agreement based on Article 13 or Article 6?

2.2 Did the company at any time assess the cost of implementing the Directive and if so, was a formal cost/benefit analysis carried out?

2.3 If a cost/benefit analysis was carried out, what were its results and to what extent were they quantifiable (please elaborate on the quantifiable elements)?

2.4 What elements did you find difficult/not possible to quantify?

2.5 Did the group have a European (or higher) level forum for the provision and communication of company information prior to the introduction of the Directive?

2.6 If no, would you have introduced a forum at this level at the time you did without the impetus of the Directive?

2.7 If yes, sooner, later or about the same time?

2.8 Would the forum have been significantly different and if yes, in what way?

2.9 Did the provisions of the Directive fit into, arrest or impede the development of any employee communication or employee relations strategy and if so, how?

2.10 Did you appoint a dedicated member/team of staff to oversee the implementation of the Directive and if so, at what level?

2.11 Why did the company choose to negotiate an agreement under Article 13 rather than Article 6 (as applicable)?

2.12 Date the agreement was signed

2.13 How long did it take you to come to the agreement?

2.14 What factors influenced the process of coming to the agreement (what were the accelerating or decelerating factors)?

2.15 How many meetings did you have during this period?
– management meetings?
– joint management/employee representatives meetings?
– employee representatives meetings?

2.16 Did you directly account for the time/direct costs associated with preparing for the implementation of the Directive (e.g. set up separate budget/ledger headings?)

2.17 If not, how was it accounted for (running costs – Chief Executive’s Office, Personnel, Finance, etc.)

2.18 How were employee representatives appointments made? Were they appointed, elected or selected by a combination of other means? Could you provide information on the number of candidates put forward for the UK representatives and the number of people voting in the election process, if appropriate.

2.19 If not solely appointed, did you have to set up, or were there already established/existing means to facilitate the election/selection of employee representatives? If yes, what were they?

2.20 What are the additional direct costs associated with facilitating the nomination and selection process?

2.21 What are their terms of office (required to calculate the recurring costs of ballots)?

2.22 Were there any other costs, other than time/direct costs involved, e.g opportunity costs, strategic costs (e.g. having to develop strategies in areas that you did not want to engage, etc)?

2.23 How was employee representation structured?

2.24 In what ways did the structure of employee representation differ for UK employees compared with that from other countries?

2.25 Employee side signatories (tick as appropriate)

Employee side signatories	please tick and state which country/union
International trade union	
National trade union, one country	
National trade union, two or more	
National works council, one country	
National works council, two or more	
Employee side EWC	
SNB	
Employee representatives	
Other	

2.26 Composition of information and consultation body (tick as appropriate)

Joint committee	
Employee side only	

2.27 Geographical scope

Country	please tick and state which country/union
Austria	
Belgium	
Denmark	
Finland	
France	
Germany	
Greece	
Ireland	
Italy	
Luxembourg	
The Netherlands	
Portugal	
Spain	
Sweden	
UK	
other EEA	
outside EEA (please specify)	

2.28 Business structure covered (please tick as appropriate)

Entire group	
Group wide and division/sector	
Division only/section only	
Other (please specify)	

2.29 Role of the EWC (please tick as appropriate)

Information and consultation	
Giving opinions/comments	
Making recommendations	
Negotiations	
Other (please specify)	

2.30 Competence of the EWC (please tick as appropriate)

Economic and financial situation	
Employment/social issues	
Business production/sales	
Investment	
New working methods/technology	
Structure	
Organisation	
Transfers/mergers/cutbacks/closures	
Health and safety	
Environment	
Training	
Equal opportunities	
Other	

2.31 Number and geographical distribution of employee representatives/distribution of seats (give number of each country)

Country	please tick as appropriate
Austria	
Belgium	
Denmark	
Finland	
France	
Germany	
Greece	
Ireland	
Italy	
Luxembourg	
The Netherlands	
Portugal	
Spain	
Sweden	
UK	
other EEA	
outside EEA (please specify)	

2.32 Selection of employee representatives (please tick as appropriate)

According to national laws/practice	
By agreement or consultation	
By specific means in all countries	
By different means in different countries	

2.33 Status of external participants – are they attending by right, who are they?

--

2.34 Is there provision for a select committee? Is this joint or employee side only?

--

2.35 Responsibilities of select committee

--

2.36 How many ordinary meetings are scheduled per year? How many have been held so far?

--

2.37 Is there provision for extraordinary meetings? If yes, how are these triggered? How many have taken place so far?

--

2.38 Responsibility for preparation of meeting (please tick)

Employer side	
Employee side	
Joint	

2.39 Provision of language training/interpretation (please tick)

Translation of all documents	
Translation of some documents (for which meetings?)	
Interpretation at all meetings	
Interpretation at some meetings (which)	
Interpretation into all languages	
Interpretation into some languages (which)	

2.40 How is feedback provided to employee representatives, employees generally?

--

2.41 Has this involved the company developing new means of communication with employees (directly or indirectly). Would this have happened without the stimulus of the Directive?

--

2.42 Is provision made for the use of experts?

--

2.43 Is provision made for employee pre-meetings (does this include the use of experts)?

2.44 Is there provision for management pre-meetings?

Section 3 Assessment of cost of implementation

3.1 Does agreement make provision that all costs associated with the meetings will be borne by the management?

3.2 Are there any costs specifically not borne by the management?

In the following table specify exact expenditure on different items (either by employee representative, by meeting or in total) and indicate whether these are one off or recurring, fixed or variable.

ITEM OF EXPENDITURE (if possible specify for which type of meeting, i.e. ordinary meeting, extraordinary meeting, select committee meeting, employee pre-meeting)	Recurring – per employee representative – per meeting – total	One off – per employee – per meeting – total	Fixed/variable
Management time (preparation and follow-up)			
Management time (meetings)			
Management time (training)			
Paid time off for employee representatives to attend meetings			
Paid time off for employees to attend training			
Cost of cover for employee attending meetings or training			
Venue and accommodation			
Subsistence cost			
Translation cost			
Interpretation cost			
Language and other training			
Administrative support			
Dissemination costs			
Cost of experts for employees			
Cost of experts/consultants for management			
Documentation for meetings			
Employee dissemination and communication costs			
Administration of ballot			
Cost/benefit analysis			
Other costs (please specify)			

3.3 Are there any other financial or socio-economic costs associated with the operation of the EWC? What are they and are they quantifiable? Tick as appropriate and elaborate below.

Potential costs	Impact felt immediately	Impact will/may become apparent in 2-5 years, more than 5 years
Slows down managerial decision-making	Interview	
Increases bureaucracy		
Unnecessary duplication in employee relations		
Fosters transnational trade unions and leads to calls for transnational collective bargaining		
Introduces unnecessary rigidities into employee relations		
Raises employee expectations		
Leads to breaches of confidentiality		
Other (please specify)		

3.4 What are the benefits associated with the operation of EWCs? Are they quantifiable?

Potential benefit	Impact felt immediately	Impact anticipated over next 2-5 years, more than 5 years
Symbolic value, demonstration of management commitment to the company and the welfare of its employees		
An impact on employee commitment		
Increased trust		
Positive impact on bench-marking of good practice (in production etc.)		
Increased co-operation or competition between workplaces		
Ability to exchange information with employee representatives		
Improving employees' understanding of reasons for management decisions		
Involving employees more closely in the business		
Positive benefits on quality of management decision-making from hearing/obtaining employees' views		
Developing a corporate culture at European level		
Aiding organisational change		
Enhancing productivity		
Facilitates strategic planning leading to a more effective decision making process		
Other (please specify)		

3.5 Do you have any further comments not previously covered?

[Empty rectangular box for providing further comments]

ANNEX B

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