

# **Information and Consultation in Europe – the Way Forward**

## **European Comparative Report**

*The Role of Information and Consultation of Employees and Workers at National and European Levels for the Improvement of Competitiveness, Employment Growth and Better Implementation of the European Social Model (INFORMIA II) VS/2011/0277*

Sofia, June 2012



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BIA	Bulgarian Industrial Association
ICTU	Irish Congress of Trade Unions
UATUC	Union of Autonomous Trade Unions of Croatia
IRES	Institute for Economic and Social Research, Italy
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## **Introduction**

This report is the final outcome of the INFORMIA II project, promoted by the Confederation of Independent Trade Unions in Bulgaria (CITUB). The project aimed to analyse the role of the systems of information and consultation (I&C) at workplace level, including European works councils (EWCs), in several EU member states (Bulgaria, Cyprus, Ireland, Italy and the UK) and one accession country (Croatia). It stimulated the transnational exchange of experience and best practice examples among the partner countries. The aim was to promote and improve the impact of workplace representation and participation structures on productivity, corporate governance and competitiveness, and to promote the European social model and corporate social responsibility in the partner countries.

The need for the follow-up (INFORMIA II) was dictated by some of the conclusions drawn from the surveys, seminars and working discussions carried out under the INFORMIA I project (VS/2010/0142, budget heading 04.03.03.03.) which analysed workplace I&C systems in Bulgaria, Croatia, Ireland, Italy and France. The results - including data on the role of information and consultation processes in conditions of crisis, the influence of I&C on managerial decisions in undertakings and the internationalisation of industrial relations in both multinational companies and in certain national level sectors provided a basis for further research.

The results of the national surveys carried out for the purposes of INFORMIA I revealed various trends concerning the impact of information and consultation processes. Although issues of economic performance, work organisation, the extension or reduction of production, workforce qualifications etc. were discussed by the I&C representatives and works council members, the importance of I&C was not as great for the company management teams, especially in the countries where information and consultation had existed for only 5-6 years. However, in some countries (e.g. Bulgaria and Ireland) the role of information and consultation in some companies and sectors had increased during the economic crisis, while the use of I&C together with collective bargaining had helped to protect jobs and prevent a reduction of wages. For most of the countries the implementation of I&C procedures (including representation via EWCs) is primarily for the improvement of workers' rights and industrial relations at the company level.

In most of the countries the scope of representation and the practical impact of information and consultation processes depend upon the quality of information shared by employers, as well as upon the abilities of individual representatives to obtain and use this information. Thus a key issue is the relationship between management teams and various forms of worker representatives.

The improvement of co-ordination between various workplace representation structures, mainly trade unions and I&C representatives and work councils, could increase workers' influence on corporate policies and strategies. In cases where such co-ordination is better, the results in terms of company results and worker rights are better.

However, workers and employees from the EU member states and the accession and candidate countries have different opportunities regarding employee participation, board-level representation and financial participation which could involve them more in corporate governance. According to the ETUI-SEEUROPE network report 'The Current Financial and Economic Crisis: A Trigger for Developments in National Corporate Governance and Worker

Participation', board level representation can be found in 18 of the 27 EU member states and also in Norway.<sup>1</sup> It also exists in other countries participating in INFORMIA II like Ireland and Croatia (an accession country). However, for many other countries - like Italy, Bulgaria, the UK and Cyprus - there are no such provisions in the legal framework. Financial participation is also not officially implemented in most of the EU member states and accession/candidate countries and conditions for more active worker participation are not equal.

At the same time, in times of crisis the role of representation via trade unions seems to increase. Trade unions are overloaded by the very practical issue of helping their members to keep their jobs or to tackle increased workplace instability caused by the financial crisis.<sup>2</sup>

The new EU strategy Europe 2020 as well as the new Single Market Act could increase the impact of international and European workers' representation on company issues, not only in multinational companies but also in national companies. Various forms of representation and social dialogue - like sector and inter-sector consultation and negotiation between social partners at European level, and representation via EWCs - could influence growth, restructuring and competition and also improve workers' rights from the European perspective.

Another aspect of INFORMIA II was the exploration of the interaction between I&C structures and trade unions, as well as the influence of I&C in various spheres, such as work motivation and labour productivity, staff training, corporate competitiveness, and the outcomes of collective bargaining and collective negotiations. These issues are particularly important in multinational companies, especially through the enlargement of participation through EWCs and the reverse impact of EWC activity on industrial relations and more specifically on collective bargaining and collective negotiations. There is a tendency to see an improvement in the interaction between industrial relations and company management on national and transnational levels, especially after the application of the recast European Works Council Directive 2009/38/EC.

The aims of INFORMIA II project can be summarized as follows:

- To improve the capacity, exchange of experience and knowledge of trade unions and workers' representatives (including EWC members) and employers' representatives in EU Member States and candidate countries with regard to the role of information, consultation and participation processes on productivity, competitiveness and the improvement of corporate governance;
- To improve the capacity, exchange of experience and knowledge of trade unions and workers' representatives (including EWC members) and employers' representatives in EU Member States and candidate countries with regard to the impact of the information, consultation and participation processes for the better implementation of the European social model;
- To study the impact of the recast EWC Directive on the improvement of information, consultation and workers' participation in general (with a focus on the national level) and on the links between national and European levels in various Member States and candidate countries;

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<sup>1</sup> See Norbert Kluge and Sigurt Vitols. The Current Financial and Economic Crisis: A Trigger for Developments in National Corporate Governance and Worker Participation. ETUI. March, 2010

<sup>2</sup> Ibid.

- To compare the opportunities to influence the information, consultation and participation structures (including the EWCs) on the economic and social issues at work-place and the results of this influence in the countries with long traditions of free market economies in comparison to countries in which the market economy started in the last 20 years;
- To study the impact of the information, consultation and the legally existing forms of worker participation, including works councils with participative rights, board level representation, and others on the economic and social issues and corporate governance and to compare them with the impact of the information and consultation process in the countries, in which there's no board level representation;
- To contribute to the elaboration of draft proposals for changes and amendments to national legislation in the partner countries and in EU Directives regarding information and consultation and worker participation, including enhancing employee board level representation and improvement of the links between the national and European levels of participation.

The project focused on the influence of I&C (both at national and transnational/European levels) on productivity, competitiveness, corporate governance and the promotion of the European social model with special attention on the EWCs.

During the project a comparative survey of the implementation of I&C rights in the countries of the project partners was undertaken, including subsidiaries of multinational companies (MNCs). Several national and transnational workshops and seminars were also organised, and a final conference to exchange information and disseminate the results of the surveys had been organised as the final stage of the project. The results from the survey, the workshops and the conference will be disseminated to a broader audience via publication of the national analyses and the European comparative report, which in turn will influence the elaboration of ideas and suggestions for the improvement of national policies and practices, as well as the co-ordination and exchange of experience between the social partners of the partner countries, at both national and EU-level.

This comparative report includes several parts and chapters. The first part contains a short overview of information and consultation, as well as participation in management and especially the transnationalisation of these processes. It also gives a brief analysis of the development of industrial relations in the six partner countries in the period 2010-2012, and the links between I&C processes and the role of EWCs after the transposition of the new directive into national laws (2011).

The second part outlines the methodology of the study and provides a synopsis of the results. Case studies were conducted in four main sectors and seven MNCs, as follows:

- chemical industry - GlaxoSmithKline (GSK) in the UK and Ireland, Solvay in Bulgaria;
- food industry (production of soft drinks in particular) - Coca-Cola Hellenic Bottling Company in Bulgaria, Croatia, Cyprus, Italy and Ireland;
- services sector - Hilton hotel in Cyprus;
- financial services sector – UniCredit Group in Bulgaria, Croatia, Italy and the UK, Société Générale and Popular Bank of Cyprus in Cyprus, Aviva in Ireland.

We examined industrial relations and social dialogue within each sector, as well as industrial relations in the national subsidiaries of the chosen companies. The focus was on the overall characteristics of information and consultation, the impact of I&C processes and EWCs in improving corporate management, labour productivity and work motivation, competitiveness

and social development, as well as their importance for enhancing the relationship between national, European and international levels. We also examined the extent to which the connection between I&C and trade unions has improved and their impact on processes of collective bargaining and collective negotiation.

# PART I

## GENERAL BACKGROUND

### General background

#### Information, consultation and participation – national and transnational dimensions

Although worker participation has become an increasingly significant issue in theoretical terms, especially in recent years,<sup>3</sup> I&C in enterprises is still a subject of discussion among a limited circle of experts. In contrast to participation in management, which is of interest to specialists in management, economics, sociology, industrial relations etc., I&C processes are examined mainly in a specialized literature on industrial relations. This is probably due to the fact that although they have a long history, their implementation at the workplace in many European countries was carried out for a long time either through trade unions or through direct (individual or group) participation and concerned mainly the purely technological and organisational aspects of work and production. The institutional context of information and consultation entered practice more widely only in the last decade. Countries where I&C and workers' participation have been integrated into national laws (from the beginning of 1950s to 1970s) are an exception.

In this context, researchers as a rule have paid greater attention to participation in management as a whole rather than concentrating exclusively on information and consultation. The adoption of Directive 14/2002/EC of the European Parliament and of the Council establishing a general framework for informing and consulting employees in the European Community drew greater attention to these two processes.

The transnational dimensions of I&C (and workers' participation) became subject to more frequent and thorough investigation over recent years, although the first EWC Directive dates back to 1994 (94/45/EC). After the adoption of the Directives arranging worker involvement in the European Company - *Societas Europaea* (2001) and in European Cooperative Society (2003), attention to the mechanisms of worker representation in MNCs has been steadily growing.

Information and consultation are more often considered in relation to employee and worker rights and the representation of their interests. At the same time there are studies in which these are indicated as an inseparable part of participation in management, a process of interest to both workers and employers. However, a significant proportion of business representatives still ignore the importance of worker participation, and particularly information and

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<sup>3</sup> See: Arrigo G. Information, consultation and employee participation in European companies. – European Works Councils and Industrial Relations in Europe: East-West Comparison. Ed. by G. Casale. International Labour Office. Central and Eastern European Team. Budapest. ILO. 1999., pp 88-107; Bol de Bal M. Participation: Contradictions, Paradoxes, Expectations. Trade Union Interpanorama/Euroglobus, issue No.4, 1992, (translation from English); Bean R. Comparative Industrial Relations. An introduction to cross-national perspective. Routledge. 1994; Blanke T. Workers' right to information and consultation within the undertaking (Article.27).- European Labour Law and the EU Charter of Fundamental Rights (summary version).Ed. by Br. Bercusson.ETUI, Brussels, 2002, pp.45-53; Brown K. Understanding Industrial Organisations. Routledge, London and New York.1992, pp194-198; Gauzner N. and collective. 'On the So called Economy of Participation – Trade Union Interpanorama/Euroglobus, 1992, issue No.4 (translation); Clegg S. Organisational Democracy, Power and Participation. - Organisational Democracy and Political Process. Ed. by C.Crouch and F.Heller.1983; Jones D. Participation in Transitional Economics: Evidence from Bulgarian Managers. - IRRA Series. Proceedings of the 47 Annual Meeting. 1995. Washington, D.C., pp.235-245; 'Labour Relations in Industrially Developed Countries with Market Economy.' An Introduction prepared by the International Labour Bureau – Geneva for a National Seminar on Labour Relations carried out in Sofia, January 1991 Trade Union Practices, No.4, 1991/publication of CITUB; Schuller T. Democracy at Work.1985; Poole M. Industrial Relations .Origins and Patterns of the National Diversity.1990 and others

consultation, for the enhancement of enterprise activity including the redistribution of wages, social benefits, conditions of work and the living standards of workers as a whole.

It is interesting to look at I&C in the context of the general system of participation. According to Negrelli ‘participation’ has three aspects – acquisition of skills (meaning direct participation in setting out tasks and enhancing labour organisation at the workplace); a financial/economic aspect – including participation in ownership and profit sharing; and deliberative (consultative) democracy, which includes all processes allowing discussions, debates and influence on decision making in undertakings.<sup>4</sup>

There is no doubt that from the point of view of classifying worker participation in management,<sup>5</sup> I&C can be carried into effect either through direct or representative participation, and either through the assistance of trade unions or without them. Besides, when I&C processes are carried out directly, they can represent a non-institutionalized form of participation. But in the long run this is an institutionalized process, at least within the framework of the EU and European Economic Area (EEA).

The adoption of the European Works Council Directive (Recast) in 2009 played an important clarification role. It provided a new, more detailed and clear interpretation of information and consultation processes.

‘Information’ is defined as: transmission of data by the employer to the employees’ representatives in order to enable them to acquaint themselves with the subject matter and to examine it; information shall be given at such time, in such fashion and with such content as are appropriate to enable employees’ representatives to undertake an in-depth assessment of the possible impact and, where appropriate, prepare for consultation with the competent organ of the Community-scale undertaking or Community-scale group of undertakings.<sup>6</sup>

‘Consultation’ is defined as: the establishment of dialogue and exchange of views between employees’ representatives and central management or any more appropriate level of management, at such time, in such fashion and with such content as enables employee representatives to express an opinion on the basis of the information provided about the proposed measures to which the consultation is related, without prejudice to the responsibilities of the management, and within a reasonable time, which may be taken into account within the Community-scale undertaking or Community-scale group of undertakings.<sup>7</sup>

The transnationalisation of industrial relations (and ensuing changes in the forms and mechanisms of worker representation) has attracted greater attention in recent years, as a result of processes of globalisation and the expansion of the role of multinational companies, the formation of networks of undertakings from different sectors and different countries<sup>8</sup>, the impact of the global economic and financial crisis on economic structures, and the relocation and closure of enterprises.

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<sup>4</sup> Negrelli S, Social dialogue and Social Processes of the Deliberative (Consultative) Democracy in the European Union – ‘Transformations in Labour, Social Security and Social Dialogue’. Compiler K. Vladimirova. CIELA.2009, p.610

<sup>5</sup> For more details see also Bol de Bal M. Participation: Contradictions, Paradoxes, Expectations. Trade Union Interpanorama/Euroglobus, No.4, 1992, (translation from English)

<sup>6</sup> See Directive of the Council and of the European Parliament 2009/38/EC, from 6 May 2009 for the establishment of the European Works Council of the procedure for information and consultation with the workers and employees in the Community-scale undertakings or Community scale groups of undertakings (Recast), art. 2, point 1., f)

<sup>7</sup> Idem., art.2, point 1., g)

<sup>8</sup> See Garibaldi Fr. Foreword: In ‘The Ambivalent Character of Participation’, ed. by Fr.Garibaldi and F.Telljohann. Peter Lang, 2010., p 19

The presence of new forms and networks of enterprises from different sectors make the traditional situation more complex and complicate the processes of decision making. This new way of economic organisation presupposes new aspects of employment, working conditions and work-life balance. Inequalities between companies in terms of working conditions increase. This presupposes a new way of representation of workers and employees, which is a challenge to trade unions.<sup>9</sup>

The number of multinational companies has not changed drastically (although in the period of crisis foreign companies decreased in number as a whole). In creating new enterprises and managing existing enterprises, other aspects of internationalisation include: transnational outsourcing, hiring subcontractors, relocation of capacity (subsidiaries and whole undertakings). Significant factors for the transnationalisation of labour and industrial relations are the posting of workers, hiring workers through temporary work agencies (for working abroad), the constant migration of workforces, seasonal and cross-border work (daily travel from home to work across a frontier) and so on. All these processes substantially change the conditions for implementing workers' rights – the right to association, representation, collective bargaining and protest, as well as the right to information, consultation and management participation. Some of these processes are normatively arranged through European directives and European or international agreements signed by the social partners, or agreements within multinational companies such as codes of conduct etc. However forms of representation of workers' interests and rights as a whole are subject to serious challenges due to the increasing transnational nature of labour and industrial relations.

The process of transnationalisation of industrial relations and the implementation of common EU standards has been complicated in recent years. In some of the new EU member states, adoption of European norms of industrial relations (especially the coordination of the processes of collective bargaining, information and consultation, and even in some cases the full freedom of association) is rather slow. In many of the new member states (including Bulgaria and Cyprus) as well as in many of the 'older' EU member states (like Italy and the UK) there is no normative framework for participation of workers in the management of undertakings (including representation in supervisory/governing bodies) or for financial participation, which is characteristic for some 'older' EU member states, although there are no common European frames for these two spheres. At the same time, processes of globalisation challenge the protection of fundamental rights at work (including freedom of association, collective bargaining, the right to strike and to information and consultation).

Trade unions are slower than employers with regards to the preparation and implementation of policies and practices of worker protection and representation. Hence they are much more likely to maintain strong national models of industrial relations, which are not always compatible with the challenges of globalisation and free movement of capital, services and goods, or to worldwide competition. Moreover, national industrial relations models are often not compatible with the challenges of the free movement of workers. Finally, at the EU level there is neither a common legal framework for industrial relations standards (with exception of some principles, mentioned in the main agreements and the EU charter of fundamental rights) nor a common legal framework regarding social policies (again with exception of some main principles and some directives).

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<sup>9</sup> See Garibaldi Fr. Foreword: In 'The Ambivalent Character of Participation', ed. by F.Garibaldi and F.Telljohann. Peter Lang, 2010., p 19

These are serious factors slowing down the adoption of transnational aspects of industrial relations in some of the member states (both new and older), in spite of economic globalisation and European integration. In this regard we could point to the relatively slower integration into the European social dialogue and European co-ordination of collective bargaining, although there are objective reasons for the latter – much lower levels of remuneration and some other aspects of the conditions of work in parts of Central and Eastern Europe. The same applies to participation in the work of EWCs in multinationals having subsidiaries in these countries.

As a whole, the processes of I&C and management participation (where this is normatively arranged), either in a national or transnational aspect, are subject to a number of challenges in many EU member states (this refers both to the new accession countries in the period 2004-2007 and to some of the EU-15 states). In many countries the scope of subjects to which representation applies and the practical results of information and consultation depend on the quality of information shared by the employers as well as on the ability of individual representatives to apprehend and understand that information.<sup>10</sup> The results are also connected to relations with managerial staff and to the different forms of worker representation. Co-ordination between different forms of representation (mainly between trade unions and I&C representatives/ works councils) seems to be indispensable and its progress could improve workers' influence on corporate policies and strategies. Where there is better co-ordination the results for the company as well as for workers' rights are improved.<sup>11</sup>

European Works Councils and similar bodies play a particular role in the transnationalisation of industrial relations and the improvement of worker rights, especially rights to information and consultation, but also other rights like collective bargaining. There is a voluminous literature on the effectiveness of EWCs, with a division of opinion broadly between the pessimists, who focus on the challenges facing EWCs, such as lack of union capacity to support them, and the optimists, who focus on their potential, particularly for networking.<sup>12</sup>

However, some studies report various levels of efficiency and usefulness of the EWCs in various countries, sectors and companies. Their impact on management decision-making was found to be greatest in single business companies whose operations are spread across countries and where production and other activities are integrated across European borders. No EWC impact on management decision-making was evident in multi-business companies whose operations tended to be concentrated in one country and/ or where there was little or no cross border integration of production.<sup>13</sup>

There are various case-studies of EWCs in companies with operations in the EU/EEA. In some, their activities and processes of information and consultation are of use to employees, in others EWCs assist only in some situations (but rarely regarding the restructuring of companies), and in others again they are practically structures with 'advertisement' functions.

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<sup>10</sup> See: Information and Consultation in Europe. Analysis of the Legislative Framework and Practices. Publication based on the results of the project 'Improvement of the Process of Workplace Information and Consultation for a Better Employees' and Workers' Representation in Europe (INFORMIA) VS/2010/0142, supported by a budget line of the European Commission, DG' Employment, Social Affairs and Inclusion'. Sofia, October, 2010. Authors' team. General edition E. Ribarova, p. 28

<sup>11</sup> Ibid, p. 28

<sup>12</sup> Based on the quotations of Cressey, P. (2009) 'Employee Participation' in M. Gold (ed.) *Employment Policy in the European Union Origins, Themes and Prospects*, Basingstoke: Palgrave and Waddington, J. (2011b) 'European Works Councils: the Challenge for Labour', *Industrial Relations Journal*, 42(6): 508-29., made by M. Gold and Ch. Rees in the UK report for INFORMIA-2 project, p.6

<sup>13</sup> See Hall M. and P. Marginson. Development in European Works Councils, Eurofound. EIROnline.2004 www.eurofound.eu.

At the same time, the representatives from the new EU member states usually are not fully involved in the EWC activities.

In general the role of EWCs in improving information and consultation is still 'under review'. The new EWC directive from 2009 gave some basis for improvements, but the results from its practical implementation need further observation.

### The state of social dialogue and industrial relations – a comparative analysis

The analysis involves six countries - five EU member states (Bulgaria, Cyprus, Ireland, Italy and the UK) and one accession country (Croatia) which has already signed an accession agreement in 2011 and expects to join the EU on 1 July 2013. Among the EU member states one (Italy) is among the countries which established the European Community, two (the UK and Ireland) became member states during the first enlargement in 1973, and the remaining two joined the EU in the process of the fifth enlargement (Cyprus in 2004 and Bulgaria in 2007). Four of the countries participated in the INFORMIA 1 project in 2009-2010 (Bulgaria, Croatia, Ireland and Italy).

The six countries have some similarities, but rather more differences, in their industrial relations systems. Most have approximately average levels of trade union density (Bulgaria 20%, UK 28%, Ireland 34%, Italy 35%, Croatia 33-35%), whilst it is comparatively high in Cyprus (over 60%). Also multi-unionism is present in all the countries in various forms. In the UK there is only one national trade union confederation and some non-affiliated trade unions, the same as in Ireland, but in both countries there is multi-unionism at workplace and sectoral level. In Italy and Cyprus there are several trade union confederations and also some non-affiliated trade unions, separated on the basis of political and tactical differences (stronger in Cyprus than Italy) and in some cases based on professional and sectoral differences. In Bulgaria and Croatia there are also several confederations and some non-affiliated trade unions, with differences based on historical development ('old' and 'new' trade unions) as well as on former political and current tactical differences.

In the six countries there are various levels of density and organisation of employers' associations. In most of the countries the density of the employers' associations is average, though in most of them there are either one or two employers' associations. Fragmentation in Bulgaria is very high - six employers' associations nationally represented and other smaller associations not represented at the national level. Such fragmentation, as well as so-called double and even triple membership of individual employers in various associations, makes the process of industrial relations and collective bargaining extremely complicated.

In some countries - like Ireland, Italy and the UK - voluntarism is the dominant principle. Voluntarism and deregulation is very high in the UK, where shareholder interest is given great importance. With close business ties and many subsidiaries of UK companies operating in Ireland, the traditional adversarial model of employment relations, with the emphasis on collective bargaining, has been the dominant system. However, in Ireland there is also tripartite partnership at the national level (although in 2009 it was broken down and then recovered for public services in 2010) and in Italy tripartite partnership at the national level and sectoral collective bargaining. In Cyprus there is a compromise between voluntarism (inherited from when the country was under British occupation) and the legislative regulation of industrial relations, and some changes in the legal framework and improvements in regulation have been made. In Bulgaria and Croatia there is a stronger role for legislation

(especially in Croatia). However, in Bulgaria there is pressure from the employers' side to liberalise regulations, and sometimes employers - especially micro, small and medium-sized companies - try to avoid certain provisions contained in legislation.

At the same time, social dialogue seems to be prominent in most of the countries (with exception of the UK). The most striking feature of the industrial relations system in the UK today is the predominance of the company and the workplace as the focus for collective regulation – where it exists at all – of both procedures and pay and conditions. The significance of the stock market in the UK is reflected in the primacy of shareholder interests. It is generally accepted that short-termism has been the result, with policy designed to increase share value, even at the expense of the longer-term interests of the company. This has led in turn to a certain dismissive attitude to labour. Labour is regarded as a variable cost, to be laid off or made redundant, often as an easy way to reduce costs in a crisis and maintain share value.

The coverage of collective bargaining is comparatively very high in Italy (80%), high in Cyprus (58%), average to high in Ireland (44%), average in Bulgaria (35%) and the UK (33%). In Bulgaria, Cyprus and Italy sectoral level bargaining has a more important role, compared with Ireland and the UK, as well as in Croatia. However in Bulgaria there is also process of de-centralization (mainly 'forced') of collective bargaining. Collective bargaining is not formally regulated in Cyprus. Nonetheless, it is the accepted method of determining salaries, hours of work and general terms and conditions of employment. In the UK there is also no system of legally binding collective agreements. Multi-employer (sector-level) bargaining has declined dramatically in recent years, and there has never been a tradition of intersectoral regulation through the peak employers' and union confederations. The result has been a process of what has been described as 'disorganised decentralisation' (Traxler, 1995) as companies and workplaces have moved centre-stage in collective bargaining and industrial relations regulation. In the UK industrial relations are conflictual. The level of conflict is probably lower in Ireland and in Italy, but trade union organisation regarding preparation of strike activity is very high. In Cyprus, Ireland and the UK there are well developed systems of conciliation, mediation and arbitration of collective labour disputes. In Bulgaria there is a framework and institutions for solving disputes, but the practice is still in its infancy.

A variety of provisions for worker representation exist. In some countries, like Cyprus, worker representation was not directly regulated by law until the legislation was amended this year, however with comparatively liberal rules. The situation in the UK is not much different. Until the transposition of the 2002 EU Directive on Informing and Consulting Employees into UK legislation, there was no formal, statutory basis for collective workplace representation in domestic UK companies. Workers were represented either through trade unions or some form of non-union joint consultation committee or had no representation at all. However, the trade unions need now to obtain a certain threshold in a vote amongst workers to be recognised by the employers. There is no statutory system for permanent employee representation in the private sector in Ireland. Those who work in unionised workplaces – about one-third of the total – have representation through trade unions. However, new procedures have been introduced as a result of the EU Information and Consultation Framework Directive (2002/14/EC). In most cases, employees are either represented through their unions, or not represented at all.<sup>14</sup>

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<sup>14</sup> O'Mara, C. (2003) *Informing and Consulting with the Workforce - What the New Directive Means for Ireland's Voluntarist Tradition*, Commercial Law Practitioner, Vol. 10

In all countries, systems for information and consultation have been implemented. However in Bulgaria, Cyprus, Ireland and the UK, the systems were implemented after the EU standards were established. In all of these countries trade unions are either dominant, or in many cases are the representative structures with exceptional rights. In some cases certain trade unions resisted the implementation of the information and consultation systems, which involve all the employees (UK, Ireland, Bulgaria). Worker representation in most of these countries is also influenced by multi-unionism at the workplace, the lack of a tradition of representation via non-union structures until the early years of the new millennium, and the dominance of conflictual trends (especially in the UK). In Italy trade unions practically establish and control representative bodies at the workplace. The systems for workplace information and consultation existed before the EU directives had been prepared, but representation was regulated only through sectoral collective agreements in certain sectors. In Croatia, works councils have existed since the 1990s and the model is similar to the German and Austrian, however with strong trade union representation at the workplace level.

The provisions for EWCs were implemented at various times. In Italy and Ireland this happened in the 1990s. The UK was not covered by Directive 94/45 at first, because of the resistance of the Conservative government, but it has now been involved since 1997, when the Labour government came to power. The directives for EWCs and workers' involvement in the European companies and European co-operative societies were implemented in Bulgaria and Cyprus just before they joined the EU, and the same is the case in Croatia.

The EU-directives for information and consultation, including the Recast directive for EWCs (2009) have been transposed in all countries. In all countries there are subsidiaries of MNCs, which are covered by the EWC directives, and in all of them EWC representatives are elected. In the UK, Italy and Ireland there are also headquarters of MNCs in which the central offices of the EWC have been established. The role of EWCs in some countries has increased over recent years (Italy) and/ or the number of elected representatives on EWCs has also increased (Bulgaria). However, the lack of tradition (Bulgaria) and the incomplete process of accession to the EU (Croatia) are reasons for the limited influence of EWCs in these countries. The small size of the Cypriot economy and the small size of the majority of enterprises on the island seem to have been major reasons for the limited scale of EWC implementation in practice.

In most of the countries (Bulgaria, Cyprus, Italy, UK) there are no provisions for workers' participation in management or representation at board level. If such cases exist, they are on a voluntary basis. In Ireland, regulations govern employee board-level representation in the public sector. In Croatia, works councils have some rights to participation, and employee board-level representation exists. In none of the six countries are there provisions for financial participation, although it could be implemented on a voluntary basis.

## **PART II**

### **ANALYSIS OF THE RESULTS OF THE SURVEY**

#### **Analysis of the results of the survey**

##### Methodology

The project examined information and consultation (and worker participation, as far as it is developed in some of the countries) in the six partner countries, with a focus on the transnational dimensions of these processes.

The main goal of the survey was to gather information and analyses of I&C (with a focus on EWCs), as well as workers' participation in management (as far as it exists) and their impact on several main aspects:

- Productivity of labour;
- Competitiveness of undertakings;
- Improvements in corporate governance;
- Improvements in national and transnational level connections in the sphere of industrial relations and information and consultation.

There were also several additional goals within the framework of the survey:

- to determine the importance of legislative changes in each country (including transposition of the Recast Directive on European Works Councils) for improving the I&C processes;
- to determine the role of industrial relations (and information and consultation) in the chosen companies for the development of industrial relations as a whole, and for the I&C processes in the sector, and specifically in the already mentioned spheres;
- to determine the significance of I&C processes (and in some cases worker participation processes) at national and transnational level for the improvement of collective bargaining and industrial relations in the chosen companies and subsidiaries;
- to determine the significance of I&C processes (and in some cases worker participation processes) at national and transnational level for the improvement of working conditions and pay and for the quality of working life in the respective companies and subsidiaries;
- to analyse the specificities of the national models of industrial relations and I&C and the influence of worker representation upon corporate governance, competitiveness, productivity of labour and connections at national/international levels, as well as for the improvement of working conditions and working life quality in undertakings.

The research teams conducted surveys in MNC subsidiaries operating across the six partner countries. In cases where specific companies were not present in a given country, another enterprise from the same sector was chosen. We investigated two companies across most of the countries - Coca-Cola HBC and UniCredit Group.

In the course of the survey preparation three main sectors were chosen: chemicals/ pharmaceuticals; food processing (soft drinks); and financial services (banking). In Cyprus another sector was selected (tourism) because of its importance for the economy, and in Ireland banking was replaced by insurance services.

From chemicals/pharmaceuticals, two main case studies were prepared: GlaxoSmithKline (subsidiaries in Ireland and the UK) and Solvay (subsidiary in Bulgaria). From soft drinks, the case of Coca-Cola HBC involved subsidiaries from Bulgaria, Cyprus, Croatia, Italy and Ireland. The services sector involved tourism (the Hilton hotel in Cyprus) and financial services. The latter includes banking: UniCredit Group subsidiaries in Bulgaria, Croatia, Italy and the UK, Société Générale and Popular Bank in Cyprus, and Aviva in Ireland.

The survey was carried out mainly through semi-structured interviews with the representatives of the workers/ employees - EWC members, I&C representatives, trade union representatives (shop-stewards, members of the executive bodies and the chairs of sectoral federations/unions), as well as employers' representatives (usually HR Directors). They were the main target groups of the survey. Statistical information was also gathered through collecting economic data for the sectors and enterprises, industrial relations data, sector/branch social partnership data, etc.

The chosen sectors are similar in terms of their relative stability – they have generally been affected by small contractions as a result of the economic crisis and even some growth of incomes and jobs. But they are different in their spheres of activity, industrial relations structures and social dialogue. The common feature of the target sectors is the presence of multinational companies and foreign investment, as well as enterprises from companies with EWCs and representatives elected from the partner countries.

For the analysis we also used the following information:

- Data from European institutions such as the European Foundation for the Improvement of Living and Working Conditions, the European Industrial Relations Observatory (EIRO), the European Trade Union Institute, the European Trade Union Confederation and BUSINESSEUROPE;
- Conclusions from the INFORMIA I project implemented by CITUB and partner organisations in 2009 - 2010 and financed by the European Commission;
- Conclusions from the 'Transnational Industrial Relations: Theoretical and Empirical Experience' Project 2010-2011 (financed by the European Commission), implemented by the Marco Biagi Foundation, University of Modena and Reggio Emilia - Italy as main project implementer, with partners from Bulgaria, Estonia, France, Germany, Ireland, Italy, Spain, Sweden, the UK and others;
- Data from National Statistical Institutes and National Banks of the partner countries;
- Data from other surveys gathered by academic institutions in the partner countries, and transnational surveys;
- Data from analyses of workforce competences in the Chemical and Soft Drinks sectors in Bulgaria gathered by experts from the Bulgarian Industrial Association (BIA) under the project 'Increasing the Flexibility and Effectiveness of the Labour Market by Active Actions of the Social Partners' implemented in partnership with CITUB and CL Podkrepa under the Operational Programme 'Human Resources Development' (2007-2013); and
- Conclusions from some of the papers prepared under the project 'Security through the Law, Flexibility through the Collective Bargaining' project of CITUB implemented in partnership with the Bulgarian Industrial Association under the Operational Programme 'Human Resource Development' (2007-2013).

## ***Chemical and pharmaceutical industry sector***

### *General status and industrial relations in the sector*

The sector of chemical and pharmaceutical industry is of great importance in the world economy. The EU is the leading chemical producing area of the world, representing 28 % from the world production.<sup>15</sup> In the EU the largest volume of chemical products was observed in Germany, France, UK and Italy.<sup>16</sup> The chemical industry in the EU has a big input for the development of the other industries and other sectors, but its' image position is not as much high, compared to the other industries.<sup>17</sup> This is mainly caused by the strengths for more 'green' economy, but also sometimes by the not well-grounded attack of the 'green' organizations.<sup>18</sup>

The European chemical industry is the second largest industry in Europe and employs 2 million people directly in Europe and even larger number of employees are dependent on the chemical industry indirectly. It is composed of large multi-national companies, as well as of many successful small and medium sized enterprises.<sup>19</sup>

The main social partners in the chemical industry in EU until 31 May 2012 were the European Mine, Chemical and Energy Workers' Federation (EMCEWF) and the European Chemical Employers' Group (ECEG). The EMCEWF (member of ETUC) was dissolved according its decision from 15 May 2012 and all of its capital, affiliated members, staff and others will be transferred from 1 June 2012 to the association EIWF (European Trade Union - IndustriAll)<sup>20</sup>. The Workers' Federation and the Employers' Association both involve national organisations, established in the chemical sector and affiliate local trade unions and local employers from the EU member-states. The sectoral social dialogue committee was set up in December 2004.

### *GlaxoSmithKline (GSK) Case Study: Ireland and the UK*

#### *Background of the pharmaceuticals sector in Ireland and the UK*

##### Ireland<sup>21</sup>

Ireland is one of the leading locations for the pharmaceutical industry in Europe. In 2008, four out of ten pharmaceutical jobs created in Europe were in Ireland. The pharmaceutical industry in Ireland comprises a mix of international and local companies. The pharmaceutical industry is relatively new to the Irish economy. Most of the companies operating in this area have had a presence in Ireland only since the 1960s. The pharmaceutical industry in Ireland is highly advanced, incorporating the latest technology, state of the art equipment and strict quality

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<sup>15</sup> See <http://ec.europa.eu/social>

<sup>16</sup> See. Analysis of the workforce competences in the sector 'Production of chemical products'. Authors: Z. Kirilova, K. Jelyaskov, Y. Pelovski, T. Jelyaskova. Prepared in the frames of the project 'Preparation and implementation of the system of information , purposed on the evaluation of the workforce competences in sectors and regions', implemented by the Bulgarian Industrial Association, in partnership with CITUB and CL 'Podkrepa', Operational program 'Human resources development', supported by the ESF; National Strategic Reference Framework for Bulgaria 2007-2013 (in Bulgarian), pp. 16

<sup>17</sup> Ibid., p. 18

<sup>18</sup> Ibid., p.20

<sup>19</sup> See <http://ec.europa.eu/social>

<sup>20</sup> See [www.emcef.org](http://www.emcef.org); [www.industrialall.eu](http://www.industrialall.eu)

<sup>21</sup> This section is based on the website of the Irish Pharmaceutical Healthcare Association: <http://www.ipha.ie/alist/contribution-to-the-irish-economy.aspx>

control procedures, and has become one of the principal contributors to the growth of the Irish economy in recent years. The sector now employs 24,500 directly with an equivalent number employed indirectly in related services. In 2008, pharmaceutical net exports exceeded €14 billion making Ireland the second largest net exporter of pharmaceuticals in the world. Using the broader pharmaceuticals/ chemicals measure, exports exceeded €44 billion, or over 50% of all exports from the country.

One hundred and twenty companies have operations in Ireland, including 13 of the top 15 worldwide and the total replacement value of the investment by the sector in the Irish economy exceeded €40 billion. Over €7 billion has been invested in the last ten years. The pharmaceutical industry is the largest contributor to corporation tax and total tax receipts from it amount to approximately €3 billion annually.

### United Kingdom

The chemical and pharmaceutical industries remain major contributors to the UK economy. With turnover in excess of £50 billion it is one of the UK's largest manufacturing industries. Over the last decade it grew more than five times faster than the average for all industry. It is manufacturing's number one exporter, with an annual trade surplus of just under £5 billion. It spends over £2 billion a year on new capital investment. R&D expenditure is equivalent to 10 per cent of sales.

The pharmaceutical industry in the United Kingdom directly employs around 72,000 people and in 2007 contributed £8.4 billion to the UK's GDP and invested a total of £3.9 billion in research and development. Pharmaceuticals continue to be a success story in the UK, with major investment and continued emphasis on R&D. In 2007 exports of pharmaceutical products from the UK totalled £14.6 billion, creating a trade surplus in pharmaceutical products of £4.3 billion. The UK is home to GlaxoSmithKline (GSK) and AstraZeneca, respectively the world's fifth and sixth largest pharmaceutical companies measured by 2009 market share. Foreign companies with a major presence in the UK pharmaceutical industry include Pfizer (whose only research hub outside of the United States is based in Sandwich, Kent), Novartis, Hoffmann - La Roche and Eisai. One in five of the world's biggest-selling prescription drugs were developed in the UK.

### **GSK**

#### Presence in partner countries

Headquartered in the UK, GSK is a global organisation with offices in over 100 countries and major research centres in the UK, USA, Spain, Belgium and China. In Ireland, it has global manufacturing sites in Cork and Dungarvan, with financial, marketing, HR and other 'back-room' services in Dublin, such as distribution and administration. In total, GSK employs 1600 people throughout Ireland.

#### Employment

GSK employs over 97,000 people in over 100 countries. Around 12,500 people work in research teams in the UK, USA, Spain, Belgium and China to discover new medicines. The company invested nearly £600 million in vaccines R&D in 2011 and has more than 1,600 scientists working on the development of new vaccines.

GSK has 97,389 employees, located as follows:

Europe 38,696  
Emerging markets 29,466  
USA 16,707  
Asia Pacific 7,039  
Japan 3,573  
Other 1,908

#### Model/style of HRM

GSK claims that its employment practices are designed to help create the right workplace culture in which all GSK employees feel valued, respected, empowered and inspired. The company discusses employee communication and consultation in its annual report under the broader heading of employee engagement.

GSK communicates regularly with its workforce to provide updates about progress towards goals and changes to the business, to listen to feedback, and to stimulate innovative ideas. The company uses a variety of communications channels to reach as many employees as possible. They include:

- Face-to-face communications, including team briefings, company meetings and conferences
- Web broadcasts (live and recorded) to reach large and geographically dispersed teams
- A global intranet site, connectGSK, which provides updates on company and industry news and acts as a repository of information and resources for employees
- An email cascade system that keeps senior leaders informed of company news, for example about latest financial results
- *Spirit*, an internal magazine with news and feature articles about GSK products, people and programmes, available in print and on the intranet
- A biennial employee survey, open to everyone at GSK, as well as separate surveys run by individual business units
- Induction programmes that provide new starters with an overview of GSK and the resources available to employees
- Communications from senior executives, such as Andrew Witty, the Chief Executive Officer (CEO), who talks regularly to employees through global forums and broadcasts. His CEO Advisory Board comprises employee representatives from across the company, and acts as an informal sounding board for ideas.

In terms of consultation, GSK recognises trade unions for consultation and collective bargaining in many countries worldwide.

In Europe, GSK has additional mechanisms for consulting employees about significant developments or changes to the business. Staff and works councils meet regularly, providing employees with the chance to speak directly to company management. Employee representatives from 28 EU countries also participate in the European Employee Consultation Forum (or European works council), which works alongside national consultation processes – see below.

## Interviewees for the GSK case study (Ireland/ UK)

Name	Country	Position
John Clough	UK	Former chair of GSK EWC
Tomás J Curran	Ireland	Current chair of the EWC and operating subcommittee
Tony Kelly	Ireland	Unite official, Waterford Office
Tom Lightbody	UK	Member of GSK National Forum, substitute member of EWC (non-union)
Mel Robertson	UK	Member of GSK National Forum, former EWC member (non-union)
Jo Sinclair	UK	Member of GSK National Forum (Unite)

## Industrial Relations in GSK (UK)

GSK is organised through business units. The UK interviewees all work for GSK Global Manufacturing and Supply (GMS). The major business units consist of Consumer Health Care, Biologicals, Research and Development, Pharmaceuticals, GMS and Global Support Functions.

An estimated 20% of GSK employees in the UK are union members. However, two unions (GMB and Unite) are recognised for bargaining purposes only in GMS, where they have recently negotiated a three-year pay agreement. The unions meet management twice a year on a formal basis. In the other business units, pay and conditions are determined through performance management and appraisal systems (i.e. personal employment contracts). While there have been factory closures and redundancies over the last three years, there have been no strikes.

### *Domestic arrangements for information and consultation*

In GMS there are four levels of information and consultation forum: site, (GMS) business unit co-ordinating group, national GSK Forum and EWC.

Site-based Information and Consultation (I&C) Forums each select two representatives to the GMS Co-ordinating Group. One is a union rep, the other a non-union rep (in GSK parlance, a negotiated and a non-negotiated rep respectively). Twenty-two reps are elected to the GMS Co-ordinating Group. It then elects five of its members to attend the national GSK Forum and five to attend the EWC.

Interviewees stated that the national GSK Forum had been established in 2006, with the constitution dating from 2007. The first review of its functioning took place after four years. It has 26 members based on business units and elected by individual site-based I&C forums. Of the 26 members, four or five are unionised but the rest are not. R&D and commerce have only a small proportion of unionised staff, though other groups have higher proportions. Any

policy changes – such as equality issues or changes in legislation – are run through the national Forum.

The national Forum meets three times a year (spring, summer, autumn). At the spring 2012 meeting, there were four individual business reports on the agenda from four sectors. Also on the agenda were items covering Olympics travel and statistics for London staff, and changes to the policy on attendance management. There is a pre-meeting of the employees' side only, which identifies 'burning issues', such as changes in the retirement age (see below). The success of the Forum was at least partly attributed to the personality of Andrew Witty, the CEO, who was seen as a good communicator.

The national Forum had been set up as a result of the European works council (EWC), as it was necessary to have workforce reps to send to the EWC. The 2002 Directive on informing and consulting employees was described as the 'driving force' behind the national Forum. HRM responded to the Directive. Before that, there had been communications forums that were unionised, but had no non-unionised reps. These forums were seen as part of the national negotiating structure for unionised staff. At that time, there were two unions recognised by the company: the Transport and General Workers' Union (TGWU) and the Amalgamated Engineering Union (AEU) – both now merged within Unite the Union. Each union sent an active member on each site to the national communications forum, but non-unionised workers were not represented. The European Court of Justice had ruled that national systems had to cover all workers – not just those in unions – hence the 2002 Directive and the dynamic to set up all-embracing national forums.

HRM notifies the workforce of the need to elect unionised and non-unionised reps, and may approach employees who they think might be interested. Site reps have a two-year term and EWC members four years. The UK national Forum has no formal relationship with the EWC.

In Ireland, there is a GSK Ireland Information and Consultation Forum with membership from the various 'locations', as follows: 1 trade union and 1 staff member from Cork (SIPTU) and from Dungarvan (UNITE); the Dublin office is non-union but it has two representatives and there are three HR personnel representing management. When the Forum was been set up, management insisted on having 'location', rather than 'site' representation, which means that the membership is not proportionate to the workforce across the various sites. For example, there are 750 employees on two sites in Dungarvan, 500 who are members of UNITE, and 250 who are non-union, while Cork has around 150 employees, mostly members of SIPTU, but both 'locations' have two members each on the Forum. Consequently, trade union representation is always out-numbered on the Forum by non-union members. There are a further 240 employees in Stiefel Laboratories, a GSK company based in Sligo, but these are not represented on the Information and Consultation Forum.

#### *European Works Council*

Members of the EWC are elected by the business unit co-ordinating groups (such as the GMS Co-ordinating Group). There has been a EWC at GSK since its formation through mergers in 2000. The EWC Constitution was amended in September 2011 in the light of the terms of the recast Directive:

The EWC now has the right to get information on takeovers and to discuss with EWC members of the targeted company, if one exists, regarding how to integrate that EWC into the GSK EWC. The EWC also has the right to get information on and to discuss with

management any re-organisation/re-structuring which will impact on one country and the employees in that country.

The Operating Sub-committee may request the assistance of an expert (Section 10 of the EWC Constitution) and, if management don't agree, the onus is on management to show that an expert is not necessary. This is an issue of contention with management. Section 11 of the new Constitution sets out the procedures for formal reporting-back to the 'workforce as a whole'. The UK substitute member of the operating sub-committee, regarded access to the expert as the most significant improvement.

There are 48 to 50 EWC members, including substitutes (members are from 28 countries, all EU member states plus Norway). However, participation at the Annual General Meeting is limited to 33 members, with six representing the UK, Cyprus and Malta, four representing Belgium, three for France and either two or one for the remaining countries (some share one rep – for example, Bulgaria, Slovakia and Slovenia, and the three Baltic states). Of the six UK reps, three are elected by GMS, and one each by Consumer Health Care, Research and Development, and Pharmaceuticals. About half the total EWC membership is unionised. However, the unions are active in a number of countries in the election of EWC members. The EWC holds only one annual meeting (described by one interviewee as just a 'talking shop').

Thresholds determine the numbers of reps in each country or group of countries, but there are still anomalies. For example, the member from the Baltic states represents 200 people while the Irish member represents 1,380. The UK rep would prefer a system of proportional representation (PR), but it was difficult to get changes: 'Turkeys don't like voting for Christmas'.

The EWC also has an operating sub-committee of six members (plus one substitute). Four out of six are members of a union (according to the UK substitute member, but all six according to one of the Irish interviewees). Currently the members are from Belgium, France, Germany, Ireland, Italy and the Netherlands. One member is to retire soon, and the election is due later in 2012. PR would help to ensure that there is a UK rep on the sub-committee (the Dutch member represents only just over 300 employees). The former EWC Chairman agreed that there should be a minimum number of UK reps on the sub-committee, and believed that management was coming round to that view too: 'Till now, it's been like the Eurovision song contest – anybody but the UK!' The sub-committee meets 'at least five times a year', but in practice six times, as the company prefers to deal with a small group – it does not want diverse communication across 33 or so people.

The items on the agenda, both for the annual meeting and meetings of the operating sub-committee, are drawn up jointly by the joint chairpersons and these dictate management's participation in the meetings. The operating subcommittee receives updates from management and discusses any business changes in services or manufacturing, such as restructuring or divestment of businesses, a recent example being the sale of three consumer health sites in Germany. Members are circulated advance notice of important issues a few days before meetings. However, employees do not appear to raise their own issues on the operating sub-committee and tend rather to respond to management agendas: 'We have brought nothing in particular to the table' said one UK interviewee. Employees tend to raise issues at the UK national Forum rather than the EWC.

The UK interviewees did not know whether there was a member of the European Mine, Chemical and Energy Workers' Federation (EMCEF) present on the EWC – the relevant European Industry Federation. The expert is part of the French unionised group – his role in the EMCEF was not known.

#### Information and consultation: results from the research

By way of general introduction, the former EWC Chairman divided the history of the GSK EWC into two periods: 2000-2010 and 2010 onwards. During the earlier period, GSK had been characterised by ongoing restructuring, reorganisation and M&A activity. The EWC's agenda had been dominated by this background and the need to respond to redundancies, site closures, outsourcing, restructuring and technological change. Its main aim was 'to make sure management told the truth', though it suffered from lack of timely information. In the later, current period, he believed that GSK was becoming a more stable company and could begin to consolidate – the EWC would then be able to focus better on the 'nitty gritty'. He also believed that, while younger management were wary towards the unions, they were also increasingly convinced of the benefits of consultation, especially as increasingly highly technically qualified staff are given the opportunities for involvement.

*Neither productivity nor competitiveness* had been discussed as specific items at either national or European level, though reorganisation is an important topic (see below under Restructuring).

However, the question of retirement ages (which arguably count as a productivity issue) had been raised by the employees' side. There had been in place a three-month run-down period for those taking retirement – in the last three months an employee worked three days, in the last two months two days and in the last month one day. The company had wanted to abolish this scheme 'because of legislation', but the two sides eventually settled on a one-month run-down (down from three). The employee reps argued that GSK had tried to manipulate changes in legislation to its own advantage. The Forum had also discussed holiday banking, and share save, but in these cases it had had no impact on company policy.

*Restructuring.* The national Forum hears business reports from the business units involving initiatives and reorganisation. Restructuring involving the loss of one third of the workforce went through this consultation process. The programme of operational excellence also went through the consultation process, though it was labelled as 'not redundancy but reorganisation'. It defined structures in each area to maximise business advantage. Restructuring has been ongoing over the last three years, and is covered in the business reports as any 'meaningful and significant change'.

In 2011, news of the reorganisation of R&D was indicated first at the EWC, and then released two weeks later. It was disclosed as 'confidential and sensitive to the business'. With regard to the main issues discussed by the EWC, the Irish interviewees confirmed that restructuring and measures to avoid redundancies is a constant topic, as GSK is continually cutting workforce numbers. Another issue, which is a constant challenge to the EWC, is outsourcing and its impact on jobs.

*Corporate governance.* According to the UK EWC substitute member, this topic had not been discussed recently. GSK does not have employee board-level representation. However, the former EWC Chairman noted that the EWC had raised the desirability of having James

Murdoch as a non-executive director of GSK following allegations of phone-hacking by News Corps journalists (indeed he resigned from the GSK board in January 2012). The Irish EWC member, by contrast, stated that the EWC is very pro-active on dealing with corporate governance issues (though no details were given).

*Roles of employee reps, trade unions and HRM.* Employee reps on the national Forum rather dismissed its consultative role: ‘we are being told about it, it’s being done to us’. Employees are told about policy changes and ‘they [management] expect us to nod heads’, it was a ‘tick-box exercise’. It was all about information not consultation – ‘it’s not a German system!’ The employee side has raised the need for consultation, not information, but nothing has changed. ‘Management will get you more information but they won’t concede consultation.’

That said, changes in personnel can help. A new HR manager was supplying more timely information, but claimed confidentiality over disclosing any earlier information on the grounds that ‘it might affect share prices’, involving ‘financial criticality’.

Material from the national Forum filters back down to sites, and may then go back up again (to unions and bargaining agendas). But this is not structured. Indeed, none of this feeds into the collective bargaining agenda – some issues raised, such as share save, are not negotiated benefits in any case.

With respect to the EWC, heads of business units give presentations (‘high-level stuff’) on transnational issues at its annual meeting, including financial and business reports. The HR Director and the Chair of the operating sub-committee agree its agenda together. Information gets fed back to the business units and to the operating sub-committee.

According to the interviewees, the company’s objective in organising the EWC was ‘to satisfy legislation’ – to ‘tick boxes’. ‘They do it to us, we are not really involved.’ Indeed, the company has not attempted to use the EWC proactively to create or project its own identity at a European level.

There has been a result from the recast EWC Directive – the role of experts has now been accepted. This was seen as very important ‘as EWC reps can’t be expert on everything’. The interviewees stated: ‘We asked for experts in the past, but it fell on deaf ears’. GSK had to respond because of the new legislation. The former EWC Chairman, however, pointed out that in the past he had had ‘no problems’ in bringing in experts, including some from Warwick University and his union (then TGWU).

There are certain informal links between EWC members. E-mails go back and forth, and the occasional round robin is circulated, requesting information about what other countries do in respect of a particular practice or piece of legislation (in the context of negotiating a change, to get best practice). Issues have included pay negotiations, redundancy policies and employment security. The former EWC Chairman gave specific examples of support on best practice to the Hungarian representative.

There was some disagreement over the existence of formal links through the EWC to collective bargaining agendas. While the three UK national Forum interviewees claimed that such links did not exist, the former EWC Chairman maintained that information from the EWC had fed into collective bargaining agendas, and with more success into the national Forum agendas. Examples included matters regarding health and safety and R&D.

*Working environment, including training.* According to the three national Forum interviewees, the Advisory, Conciliation and Arbitration Service (ACAS) has conducted some on-site training, covering issues like ‘downsizing’. The company has also provided training through its own managers and accountants on information and pensions. The employees’ side had requested training on pensions but not on company finances. The Chief Financial Officer makes presentations at the National Forum and the EWC. The information presented is often quite detailed in scope but simplistic. According to the interviewees, people tend not to ask questions.

No training had been provided with respect to the EWC constitution. However, an expert (the French trade unionist) had undertaken the review of the EWC constitution. UK reps had themselves subsequently gone through the EWC constitution line by line. While it had generally satisfied the standard, there had been variations in time-off provisions. In France there was a specific allocation of 28 days for EWC duties but in the UK the allocation was ‘a reasonable amount of time’. No formal training is given to members of the operating sub-committee, for example on legislation or finance. Its members must be able to speak English, but otherwise anyone can stand: ‘Information is delivered in a fashion that is understandable’.

The former EWC Chair – also a member of the EWC operating committee for ten years – had a different view on training. Training of EWC members was difficult because of their high turnover, in addition to which Unite and EMCEF had given training to union members. According to him, members of the operating committee, whose membership is more stable, are trained in areas like financial matters.

In Ireland, UNITE in the UK have provided some training and are a resource for any legal questions which might arise with respect to the EWC.

*Impact of the results from I&C.* UK divisions at GSK, such as GMS, have their own web sites on which minutes of the national Forum and EWC are posted up, so everyone can see what information has been disclosed, following agreement by the appropriate Chair. However, the interviewees stated that the national Forum was ‘middle of the road, the company complies with the legislation but doesn’t go beyond’. They added: ‘It’s disturbing that it’s information and not consultation, and that timelines for information always seem to be retrospective.’ They felt they had no chance potentially to improve the track the company was taking: ‘This is what we’re doing, and it’s going to be done to you.’ ‘We may get small, small changes, but otherwise very little.’ These views reflected management attitudes for all levels of I&C – site, national and EWC.

The only recent example where I&C had changed anything was the company’s proposal under retirement legislation to abolish the run-down period. The original proposal was to scrap it altogether, but the company settled on reducing the three-month period to just one month. Employees therefore now had an allowance of four weeks, reduced from 12, which meant that the company was making a significant saving of 64 days – especially important as employees are now working beyond age 65. There had been no change in this area in other sectors, including the public sector. It was felt that the company was exploiting recent legislative changes to make the saving.

At the national level in Ireland, information and consultation arrangements were no longer regarded as very effective either. When the I&C Forum was first set up it worked well

because of the commitment of the then HR Director. He has since left the company and the operation of the Forum had accordingly suffered. The management representatives tightly control its agenda and discussions.

The former EWC Chairman observed that management had learnt to explain to the EWC not just their own proposals on a particular issue but also why the alternatives would not work. In this way, management tried to pre-empt possible objections that might be raised. He also felt that the EWC had had influence over a variety of matters, including organisation of the company's distribution networks that had been improved in consequence. He gave the EWC six out of ten and the national Forum seven out of ten for influence (the higher score for the latter 'because we know one another better').

The Irish EWC member agreed that, on the whole, the EWC works well and there is good engagement by management. However, he noted that it is just an information forum, although management do actively engage with the operating sub-committee on a range of issues and proposals. However, there had been little or no support from the trade union movement when he was first elected to the EWC. The local Irish UNITE official, while not knowing much about EWCs, finds the EWC useful for getting information on company plans and in helping to formulate strategies to deal with proposed changes.

### ***Solvay (the case of Bulgaria)***

#### *Chemical sector in Bulgaria*

The Chemical Industry Sector or 'Manufacturing of Chemical Products (including pharmaceuticals and cosmetics)<sup>22</sup> in Bulgaria is in relatively good state. In spite of the impact of the crisis, there are tendencies of recovery. As early as the first stage of the big privatization of industrial undertakings (1998-2003), a number of enterprises and production capacities in the sector were closed. During the first stage of the economic crisis (2008-2010) there were difficulties in the sector and the number of enterprises and people employed showed a tendency of decrease. In spite of that a big part of the middle and big enterprises in the sector are functioning well. This is a sector with high added value and relatively high productivity of labour. New processes and technologies are being introduced in the sector. In 2010 the sector produced 3% of the industrial production and 2% of the industry added value.<sup>23</sup> The number of people employed was 13 900 (2,8% of the people employed in industry as a whole) in 640 companies.<sup>24</sup> There are several big enterprises in the sector, the biggest being Lukoil Neftochim, which produces 40% of the production in the sector. Foreign investments in the sphere of chemical products' manufacturing entered the country as early as the middle of 1990's. At present there still exist subsidiaries of several big multinational companies – Solvay, Actavis, Codak (the closure of the subsidiary is imminent in 2012) and Lukoil. Agropolichim, Orgachim and Sviloza are also owned by foreign investors.

According to representatives of the trade union federations in the sector, trade union density is 10-12% and the density of affiliation to employers' organisations is around 12-15%, but in

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<sup>22</sup> The data for the chemical industry sector have been taken from the Report 'Sectoral Analysis of Work Force Competences in the Chemical Products Manufacturing sector' prepared by experts from the Bulgarian Industrial Association (BIA) under the project 'Increasing the Flexibility and Effectiveness of the Labour Market by Active Actions of the Social Partners' with BIA as promoter and CITUB and CL Podkrepa as partners, funded by the Operational Programme 'Human Resources Development', supported by the European Social Fund within the frames of the National Strategic Reference Framework for Bulgaria 2007-2013. Authors: I.Pelovski, K.Petkov, Z.Kirova, T. Zhelyazkova, K.Zhelyazkov. BIA.2011. <http://www.competencemap.bg>.

<sup>23</sup> Ibid, p.42

<sup>24</sup> Ibid, p.42

practice only big and medium companies are affiliated to employers' organisations. There are, however, many small firms. The main social partners are the Bulgarian Chamber of Chemical Industry, which is member of the Bulgarian Industrial Association (BIA) and the two main sectoral TU federations affiliated to CITUB and CL 'Podkrepa'. There are several branch employers' organisations, including pharmaceutical industry ones, as well as small employers' associations, which didn't participate in the last census. The employers' organisations in the sector are highly stratified, which impedes the carrying out of social dialogue, especially collective labour bargaining and negotiations.

After 2002, although there have been initiatives for conducting collective labour bargaining at sectoral level, no collective labour agreement (CLA) has been concluded in the sector. Until the middle of the last decade (2001-2011) there was only fractional bargaining for the minimum insurable income lines (and respectively – minimum wage for branches and professional groups) but since they were unsuccessful, these lines have been administratively determined in the last several years. Some of the representatives of employers' organisations refuse to bargain at sector level. Moreover, due to the existence of numerous employers' organisations they cannot reach consensus on the collective bargaining parameters between themselves as well.

Collective bargaining is carried out within the framework of big and middle-sized enterprises with TU structures, and CLAs are concluded. Their scope of coverage is around 12-15% of the people employed. In small and micro firms with no TU structures there is no collective bargaining and no CLAs are concluded at sector level. That is why the labour standards in these enterprises depend on legislation and to a certain extent on the good will of the employers. The main issues of negotiation are wages, employment, health and safety conditions at work, working time, social benefits.

Information and consultation systems have been established in the sector, but mainly in the large enterprises. In unionised enterprises the preferred form is to delegate I&C rights to trade unions or to strengthen the role of the existing TU structures in respect to information and consultation. The general assemblies/assemblies of workers' and employees' delegates/representatives are also used for this purpose. In this respect the subsidiaries of Solvay in Bulgaria are an exception. In a number of cases the TU structures as well as the general assemblies/assemblies of workers' and employees' representatives are informed about the parameters of the financial and economic state of the enterprises and the productivity of labour. In many cases the issues of employment, labour organisation and working time are put for discussion by the employers,<sup>25</sup> especially in relation to manufacturing and effectiveness problems. In the CLAs of part of these enterprises there are clauses obliging the employer to inform trade unions regularly on economic and financial issues.

Some non-unionised enterprises also elect I&C representatives (or in some cases 'Representatives for protection of workers' and employees' interests' - according to Art.7, paragraph 2 of the Labour Code) and very often the initiative comes from the employer. The I&C representatives, the representatives for protection of workers' and employees' interests, who are most often an alternative to trade unions and in some cases the general assemblies/assemblies of workers' and employees' delegates in enterprises with no trade

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<sup>25</sup> See 'Survey of the state and results of the establishment and operation of the systems for information and consultation in Bulgarian enterprises'. Report on Activity 1.2 of CITUB's project 'Security through the law and flexibility through collective bargaining' 2009-2013, with BIA as a partner, Operational Program 'Human resources development', supported by the European Social Fund within the frames of the National Strategic Reference Framework for Bulgaria 2007-2013. CITUB. T.Mihaylova, V.Mikova, 2011 T.Mihaylova, V.Mikova, p.8-12

unions, are used by employers mainly to carry out I&C procedures concerning most often changes in employment (usually dismissals), working time and organisation of labour, but in some cases – I&C on economic and financial issues as well.<sup>26</sup>

Within the framework of the sector two representatives of EWCs are elected – in Solvay and Codak. For Actavis subsidiaries contacts are established and preliminary information is provided for the setting up of a special negotiation body within the company, but since the procedure is being impeded, the setting up is delayed for the time being. The companies AstraZeneca, Clariant, Sanofi, Aventis, GlaxoSmithKline and others are present in Bulgaria and they have EWCs, but since there are no trade unions in these companies, the research team was not able to find out if there are elected representatives from the Bulgarian staff.

### *Solvay - some general notes*

Solvay was founded in 1863 by Ernest Solvay in Belgium. Currently it is a Top10 largest chemical player, with EUR 12, 7 billion in net sales in 2011, employing 29 000 people worldwide. Solvay has worldwide presence in 55 countries,<sup>27</sup> among them 22 countries from the EU, EEA, some accession and candidate countries. In Solvay EWC was established in 1995, involving representatives from the subsidiaries in the EU-member states, but also members from the candidate countries with observers' status. Currently the EWC involves representatives from all countries from EU, EEA, accession and candidate countries.

In 2008 a Charter for sustainable development and CSR was established and implemented in the company. It was signed by the managing board and the EWC. The charter comprises provisions for support of sustainable development at the group level and concerning all the related organisations; support and share of the Group Values; dialogue with shareholders, customers and others. The main specific principles, which are mentioned in the charter, are the equal opportunities, promotion of diversity, freedom of selection of job and prohibition of child labour, social dialogue, training and competences, job security, remuneration, health and safety, well-being at the work-place, health, safety and environment.

### Solvay - Bulgaria

The main parts of the Bulgarian subsidiaries of Solvay were acquired by the company in the period 1997-2007. Solvay has made huge investments in the country BGN 300 000 000. Solvay Bulgaria is one of the biggest companies in the chemical industry sector with the highest share of sales revenues (without taking into account Lukoil), although it does not occupy the first place according to the number of employed – 601 for 2010, the main part being employed in the soda ash plants.<sup>28</sup>

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<sup>26</sup>See 'Survey of the state and results of the establishment and operation of the systems for information and consultation in Bulgarian enterprises'. Report on Activity 1.2 of CITUB's project 'Security through the law and flexibility through collective bargaining' 2009-2013, with BIA as a partner, Operational Program 'Human resources development' 2009-2013., supported by the European Social Fund within the frames of the National Strategic Reference Framework for Bulgaria 2007-2013. T.Mihaylova, V.Mikova, CITUB. 2011p.12-16

<sup>27</sup> See [www.solvay.com](http://www.solvay.com)

<sup>28</sup> The data for the chemical industry sector have been taken from the Report 'Sectoral Analysis of Work Force Competences in the Chemical Products Manufacturing Sector' prepared by experts from the Bulgarian Industrial Association (BIA) under the project 'Increasing the Flexibility and Effectiveness of the Labour Market by Active Actions of the Social Partners' with BIA as a promoter and CITUB and CL Podkrepa as partners, funded by the Operational Programme 'Human Resources Development', supported by the European Social Fund within the frames of the National Strategic Reference Framework for Bulgaria 2007-2013. Authors: I.Pelovski, K.Petkov, Z.Kirova, T. Zhelyazkova, K.Zhelyazkov. BIA.2011. <http://www.competencemap.bg>

Solvay Bulgaria owns the soda ash plants Solvay Sodi in Devnya, Devnya Limestone – the limestone plant in Devnya, Provadsol – a mine for extraction of rock-salt in Provadia, Bulgaria Fluorite – underground mine for extraction of fluorine in Chiprovtsi and Deven – a Thermo-electric power plant in Devnya. Almost all enterprises are located in the North-East Planning Region, District Varna, except Bulgaria Fluorite which is in Chiprovtsi, North-West Planning Region, Montana District. Solvay occupies a great share of the economy of the North-East Planning Region and Varna District, as well as a substantial share of the country's economy as a whole.

### Industrial relations

The Solvay Group in Bulgaria is known for its well developed industrial relations and social dialogue. There are three TU organisations in the Group – with CITUB and CL Podkrepa (affiliated to the respective sector federations) and with Promyana Trade Union. Trade union density is 70%. Good working relations with executive directors and HR managerial team have been established and regular meetings and consultation are carried out. A special Commission for Collaboration has been established with the participation of unions and employer's representatives in Solvay Sodi, which helps the settlement of some disputable issues. Collective bargaining for conclusion of CLAs is regularly conducted within the Group; their term of validity is usually 1 year. The main issues laid down in the CLAs of Solvay Group in Bulgaria are connected to employment, working time, health and safety at work, wages, social development of the staff, conditions for union activity. As a rule, growth of wages and some other labour standards are negotiated each year, irrespective of the contradictions and differences arising during the negotiation process. Within the frames of the Group, employers and unions strive to reach agreement on issues of common interest and overcome differences through negotiations and compromises.

### Information and consultation

Agreement on the establishment of information and consultation systems has been concluded in the Solvay Group in 2006, after the transposition of Directive 14/2002/EC of the European Parliament and of the Council into the Bulgarian Labour Code. Information and consultation representatives have been elected in the individual subsidiaries of Solvay since 2006. For Solvay Sodi their number is 7, all of them union members (6 being from the TU organisation of CITUB). A big part of the representatives in the remaining subsidiaries are also union members. A common structure of I&C representatives is functioning within the Group as well. In the middle of the 1990s with the assistance of the European Works Council of Solvay and of the FGTB (General Federation of Labour - Belgium), Bulgarian workers/employees were involved in the work of EWCs. The Assembly of workers' and employees' delegates elected a Bulgarian representative, who is union member (TU organisation of CITUB). We have to note though, that the representative was elected as a compromise between the separate TU structures, since the first union proposal was not accepted. Until 2007 he participated in the EWC's work with an observer status. Later he was legitimated as regular representative of the Bulgarian staff.

In the Solvay Group there are no forms of participation in management or participation of workers'/employees' representatives in the supervisory/management bodies of enterprises. However, as a whole, compared with many other enterprises in the country (incl. from the same sector), trade unions are very well integrated in the I&C systems.

Through the I&C systems, the common system for the group and through representation in the EWC, information and consultation on many aspects related to improvement of the economic and financial state of the enterprises of Solvay Group Bulgaria is provided. As the HR Manager indicates, I&C representatives and trade unions act as a corrective to most managerial decisions taken in enterprises and in the frames of the Group. In their interviews the EWC representative and the union representative indicate the following issues for discussion, on which they can exercise influence: productivity and motivation of labour, competitiveness, improvement of health and safety conditions at work, better corporate governance, employment issues and restructuring of the enterprises.

The impression as a whole is that I&C representatives (individually and as a group) as well as trade unions (who have appointed/nominated most of them) have a significant contribution for improvements in I&C systems and settlement of issues in the above mentioned spheres. According to the EWC representative who is also I&C representative in Solvay Sodi, I&C representatives have given proposals concerning: decrease of expenditures, improvement of the employment structure and the levels of remuneration (within the context of productivity), ways to improve organisation and quality of work, as well as motivation (in the context of competitiveness), better social measures to avoid the effects of dismissals, etc. In some cases the managers accept the submitted proposals and either discuss them in the management bodies or simply implement them to improve work performance. However, not all proposals are taken into consideration.

#### The role of the representation at the EWC

A number of important issues have been discussed in the EWC. Some of the suggestions offered are connected to motivation and quality of work, prequalification of the work force, flexible working time and employment (improvement of productivity and competitiveness), questions connected to sustainable development, introduction of a Code of Ethical Conduct in the company, social schemes when dismissals are exigent, etc. For instance the proposal for introduction of a Code of Ethical Conduct within the company was submitted for discussion in this way.

There is good connection and coordination established between I&C representatives and the EWC representative in the enterprises, all the more that the latter is elected representative for Solvay Sodi as well, and is union member. Part of the problems discussed at MNC level reach workers/employees representatives and union structures through him, after which they distribute the information to the whole staff. According to the HR Manager the information includes the problems of Solvay's integration with other companies, restructuring, employment, etc. According to the union president the main information coming through the EWC representative concerns improvement of corporate governance, restructuring and measures to avoid dismissals.

#### Information and consultation in the context of industrial relations

We have to underline a very important fact: The various functions regarding the workers' and employees' representation are clearly differentiated. On one hand we have collective bargaining and negotiations carried out by the trade unions, on the other - the social co-operation process at the company level, in which trade unions participate and which supports collective bargaining and helps surmounting emerging conflicts; and on the third hand - the processes of workplace information and consultation. The information and consultation

processes indirectly support collective bargaining and negotiations (at least through the information that is used) in the national subsidiaries of Solvay, but the two procedures obviously do not intertwine. Moreover, the information and consultation system is established under a separate agreement, not under the CLA. At the same time, the issues discussed in the EWC could influence collective bargaining to a very small extent (according to the HR Manager), or could not influence it at all (according to the EWC representative), since these issues concern Solvay Group as a whole or at least two subsidiaries in two different countries, while collective bargaining has a specific national character. The latter should be viewed as a result of the still short-term experience of Bulgarian EWC representatives and the national I&C systems and also as a result of inadequate coordination of collective bargaining at transnational level.

Trade union federations and head offices provide worker/employee representatives with training, through collaboration with other unions. The employer provides training to I&C representatives and the EWC representative. The managing bodies of MNC provide training to members of EWC. As a whole the respondents do not point to any substantial difficulties and challenges in their work. Parts of the challenges however are indirectly evident – for example it turned out that respondents have insufficient information on the recast EWC Directive from 2009. The weak or insufficient influence of information and consultation in the EWC on the collective bargaining processes at Bulgarian subsidiaries' level can also be viewed as a challenge to the industrial relations.

The respondents' evaluation of I&C and EWC representatives' work does not differ substantially: the HR Manager gives them the highest rating and the rating of the union chairman is comparatively low. The HR Manager gives almost identical ratings to all questions. The trade union chairman and the EWC representative give high ratings to the national I&C system (the EWC member has even rated the work of the I&C system higher than the activity of the EWC). The two respondents, representing the workers and employees, give a little higher rating to the influence of EWC and the national I&C system over the social sphere – workers and employees rights, quality of working life, social dialogue, etc., than to the influence of the two systems over economic and financial matters and corporate governance.

*Conclusions for the case-study of Solvay:*

A) The influence of I&C systems (national and through the EWC) on the economic results and industrial relations in the Solvay Group is growing. The focus is set on employment, improvement of organisation and motivation of work and working conditions. The influence on financial and economic problems of the enterprise and its competitiveness is still weak and insufficient, but this is also due to restrictions in the I&C normative frame.

B) The relatively good connection and coordination between national and transnational level (I&C system in Solvay Bulgaria is one of the best in the country) gives the opportunity for influence of workers' representation on both levels to a large extent towards improvement of productivity of labour and work motivation, as well as working conditions. The impact the EWC- representation on industrial relations is still too weak and has no practical influence on the CLA processes.

C) Trade unions are well integrated into the information and consultation systems and as a whole I&C are very well integrated into the industrial relations system (especially within the

frames of Solvay Group subsidiaries in Bulgaria). There is striving for distinct differentiation of the different procedures of industrial relations. Information on economic and financial issues, employment, etc. is received through several channels: commission for social cooperation, collective bargaining and I&C systems. Obviously this offers no difficulty for the employer representatives (or at least this is not indicated) and at the same time gives a possibility for better selection and summary of the important issues and comparisons of the submitted data.

### ***Soft drinks manufacturing sector***

#### *General status and industrial relations in the sector*

The soft drinks/beverages production is a part from the large sector of the food and drink industry in the European Union, which is the largest manufacturing sector with a share of 16% from the turnover for 2011. In the food and drink industry 4.1 million people are employed and it is the leading employer in the EU among the manufacturing sectors.<sup>29</sup> The drinks production share in the food and drink industry is 15 % from the turnover, 18% from the added value, 10% from the employees and 8% from the companies.<sup>30</sup> In 2008 - 2010 the beverages production presented the highest growth in the trade balance, compared to the other branches of the food and drink industry<sup>31</sup>.

The whole amount of production of soft drinks in 2008 was 41 864 22 million EUR with added value 9 615 36 million EUR and total number of employees 157100<sup>32</sup>. In 2008 the whole number of the soft drink enterprises in the EU-27 was 4196 with an average number of employees 37<sup>33</sup>.

In 2009 the annual turnover of the soft drinks production in the EU-27 was 42 181 87 million EUR and the growth rate was 10.55 %.<sup>34</sup>

The main social partners in the food and drinks industry are the European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT) and Food Drink Europe – representing the employers. In particular the employers' association, representing the soft drinks industry is the Union of European Soft Drinks Associations (UNESDA) and also European Federation of Bottled Waters (EFBW) and European Fruit Juice Association (AIJN), which are parts of the Food Drink Europe.

In January 2012 EFFAT and Food Drink Europe signed a joined agreement to launch social dialogue in the European food and drink industry.

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<sup>29</sup> See Data and Trends of the European Food and Drink Industry. 2011. Fooddrink Europe. 2011., p.3

<sup>30</sup> Ibid., p.3

<sup>31</sup> Data and Trends of the European Food and Drink Industry. 2011. Fooddrink Europe. 2011., p.12

<sup>32</sup> See Analysis of the work-force competences in the sector of soft drinks, mineral water and beverages production in Bulgaria. (Секторен анали на компетенциите на работната сила в сектор „Производство на безалкохолни напитки, минерални и други бутилирани води) Authors I. Pavlova, T. Bosveliev. Report, prepared by experts from the Bulgarian Industrial Association (BIA) under the project 'Increasing the Flexibility and Effectiveness of the Labour Market by Active Actions of the Social Partners' - BIA a promoter and CITUB and CL Podkrepa as partners, funded by the Operational Programme 'Human Resources Development', supported by the European Social Fund within the frames of the National Strategic Reference Framework for Bulgaria 2007-2013. BIA. 2012.( in Bulgarian) [www.competencemap.bg](http://www.competencemap.bg), pp 15-17

<sup>33</sup> Ibid, pp 15-17

<sup>34</sup> Ibid, p.14

*The Coca-Cola Hellenic Bottling Company (based on the cases for Bulgaria, Croatia, Cyprus, Ireland, Italy)*

## Introduction

The Coca-Cola Company is an American multinational non-alcoholic beverage corporation that manufactures, retails and markets non-alcoholic beverage concentrates and syrups.<sup>35</sup> The company operates a franchised distribution system, which dates from 1889, in which the Coca-Cola Company (TCCC) only produces syrup concentrate, based on a secret recipe, which it then sells to various bottlers throughout the world. Coca-Cola bottlers, who hold territorially exclusive contracts with the company, produce the finished product in cans and bottles from the concentrate in combination with filtered water and sweeteners. The bottlers then sell, distribute and merchandise the resulting Coca-Cola products to shops, vending machines, restaurants and food service distributors.

The Coca-Cola Company is based in Atlanta, USA, with operations in over 200 countries. As of 31 December, 2010, the company's structure included operating groups in Eurasia and Africa; Europe; Latin America; North America; Pacific; and Bottling Investments and Corporate.

## European Operations

This global complex corporate structure is reflected in the company's European operations, with many different companies operating across Europe, but three, in particular, dominate. These three main companies form what is known as the *Coca-Cola System*, which is not a single entity from a legal or management perspective. The three companies are:

- *TCCC Europe Group* operates as a holding company that wholly or partially owns the other two companies. As in its other operating groups, in Europe TCCC makes the secret syrup concentrate and controls the system (mainly by controlling the price of the concentrate and the product marketing), but in principal it does not make or bottle any drinks or sell them to retailers. For this reason TCCC has a relatively small, mostly white-collar and non-union, workforce dealing with marketing and accounts, etc. It operates in thirty-eight countries, including the EU Member States, the European Free Trade Association countries and the Balkan States. The company employs approximately 1600 workers in Europe and has locations in Germany, Spain, France and Italy and Great Britain (but not in Northern Ireland (NI)).

In the six countries participating in the INFORMIA II project, TCCC operates in Croatia, under the name TCCC Adria; in Ireland, where it has four locations for the manufacture of the syrup concentrate; and in Great Britain (TCCC GB), where it is responsible for marketing, developing new brands and protecting the Coca-Cola trade markers in GB.

- *Coca-Cola Enterprises (CCE)* manufactures, bottles and distributes Coca-Cola produces in Belgium, France, GB (not Northern Ireland), Luxembourg, the Netherlands, Norway and Sweden. Of the six participating countries in the INFORMIA II project, CCE only operates in GB, which is the second largest CCE

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<sup>35</sup> Its approximately 130 produces include Coca-Cola, Coca-Cola Light, Fanta, Minute Maid, Sprite, Powerade and various brands of bottled water.

bottling operation in Europe. The company's business is undertaken through five regional offices, seven manufacturing sites and eight distribution centres throughout England, Scotland and Wales.

- *Coca-Cola Hellenic Bottling Company* (CC HBC) is the most important of the three companies from the point of view of the INFORMIA II project, with operations in five of the six countries. The exception been the UK, where it does not have a business presence in GB, but does have a production plant in Northern Ireland. It makes the syrup concentrate and is the biggest bottling and distribution company of the group in Europe.

#### *Coca-Cola Hellenic Bottling Company*

Because of the importance of CC HBC for the INFORMIA II project, much of the focus of this case study report is on this company, but reference is made to the other two companies in the group.

CC HBC operates in twenty-seven European countries and in fifteen of the EU Member States. It employs 60,000 and its headquarters are in Athens. With regard to the countries participating in the INFORMIA II project:

- In Bulgaria CC HBC commenced operations in 1992 and now employs 1170 workers in three bottling plants and nine distribution centres. Unionisation is not extensive and has been diminishing in recent years due to rationalisation and the closure of plants and is referred to as 'almost symbolic' representation.
- In Croatia the company has had bottling facilities since 1968 and at present has 640 employees working in two production sites and six distribution centres. Some 36% of this workforce is unionised and, again, the level of employment has decreased in recent years as plants have been merged and closed.
- Coca-Cola Hellenic is one of the major companies in Cyprus and has a long tradition of high unionisation. It operates through Lanitis Bros, which was set up in 1943. The company has two bottling plants and four warehouses and distribution centers. It employs 475 workers
- In Ireland the company is run on an 'all-island' basis, with the main production plant for the island located in Northern Ireland. It also has five distribution centres in the Republic and two in NI. It employs 1,100 in production, distribution, marketing and sales, the majority of whom are represented by SIPTU, the largest trade union in Ireland
- Coca-Cola Italia has operated, in various forms, since 1927 and has continued to expand to its present size and, indeed, many of the Coca-Cola produces and brands, such as Fanta, were developed in Italy. It operates seven production plants, three warehouses, four office facilities and a technical centre, a total of fifteen locations that employ some 3,100 workers, throughout the country – 650 of whom are involved in the manufacturing process and 35% are members of trade unions, in line with the national average.

Table 1 Coca-Cola Companies in the INFORMIA II countries

Country	CC Company	Workforce (approx)	Established	Trade Unions	Local/National I & C
Bulgaria	CC HBC	1170	1992	Yes	Yes
Croatia	CC HBC Hrvatska TCCC Adria	640 *	1968	Yes	Yes
Cyprus	CC HBC	745	1943	Yes	*
Ireland	CCHBC	1100	1952 (1934 in NI)	Yes	No
	TCCC	600		Yes	No
Italy	CC HBC	3100	1927	Yes	Yes
UK	CCE	5000	1900	Yes	Yes
	TCCC GB	130			

\* No information

### *Industrial Relations Structures*

As part of the *Coca-Cola System* the company is committed to good employment relations: *We are committed to fostering an open and inclusive work environment where employees feel valued and are highly motivated. The Coca-Cola Company's and our bottlers' policies for work environment responsibility provide a framework for managing workplace issues. They cover health and safety, workplace fairness, working hours, compensation and benefits.*<sup>36</sup>

In 2004 Coca-Cola carried out a staff attitude survey of its global workforce, with some 90% of employees in Europe participated. The European part of the survey found that 85% of employees were 'proud to be part of the Coca-Cola Company'; 73% said that 'most of the time it is safe to speak up'; 61% were of the view that the company 'acts with integrity in its dealings with employees'. However, there were some concerns with low scores for promotion policies – just 43% of respondents considered these to be fair - and with work-life balance policies (just 38% said these were flexible enough to meet their needs) and the company undertook to address these two issues.<sup>37</sup>

The Business and Social Review sets out company policy for CC HBC employment relations, as follows:

*Coca-Cola HBC respects the right of employees to join or not to join trade unions and to consult with management on issues of joint interest. Over 30% of the workforce is members of a trade union and a further 60% of employees are covered by collective labour agreements. The Coca-Cola Company established a forum in 1998 to consult with its employees in the European Economic Area about the development of the business and to allow them to raise concerns.*<sup>38</sup>

<sup>36</sup> Coca-Cola Europe Business and Social Review 2005

<sup>37</sup> ibid

<sup>38</sup> ibid

In the six INFORMIA II countries this company commitment to promoting good employment relations is implemented through various local and national structures. In Bulgaria, in theory, the industrial relations structures in place at the national level in the wider food sector, which includes non-alcoholic beverage companies, are 'well developed'. However, in practice, these structures are weak because of the low level of trade union organisation and, in the soft drinks sector, there is no separate collective bargaining arrangements. Within the CC HBC Bulgaria, which is one of the largest non-alcoholic companies, there is a trade union presence, but this is seen as 'symbolic' as a way of collective bargaining and dispute resolution. The presence of trade unions in CC HBC Bulgaria has been reduced in recent years by plant closures and rationalisation.

In Croatia 36% of the company workforce is unionised and there are formal collective bargaining structures in place. Since 1998 there has been a rolling collective agreement, which is regularly re-negotiated and the agreement is largely respected by both the company and the trade union representatives. Again, in Cyprus, there is a collective agreement in place and, on the whole, this function well. Indeed, there is a high level of co-operation between the trade unions and management in Lanitis Bros, the local CC HBC company<sup>39</sup>.

CC HBC in Ireland negotiates through a House Committee and is the key forum for contact between the trade union (SIPTU) and management. The responsible SIPTU official attends all House Committee meetings. There is a good open exchange of information and discussion on the agenda issues, which, at present, include a) occupational health and safety issues; and b) an alcohol and drugs at work policy. Both management and trade union representatives agree that this structure works well and many potential industrial relations issues are averted by positive engagement and early action by the House Committee.

Industrial relations in CC HBC Italia are managed through the framework of national agreements (contracts) for the food industry. The last national agreement was signed in 2009 and, as a result of the inter-confederation and industry agreements signed in 1993-94, unitary union representative bodies (RSU), or their executive committees, are the only structures entitled to undertake collective bargaining. In CC HBC the RSU works at two levels, first, for each plant across the fifteen Italian locations and, second, for the National Co-ordination Committee, which is the trade union body that signs company-level contracts that apply to all company sites.

The first company level three-year agreement was signed in 2002 and committed both sides to a series of meetings that would focus on company targets and how to achieve them, on career development and on the continuous improvement of working conditions. A new agreement was signed in 2011 by representatives of Coca-Cola HBC Italia and by the RSU Co-ordinating Committee. This recent agreement assesses the global situation and the company's 'constant quest for excellence', with a special focus on its commercial structures. There is also a commitment to a major investment by the company for the period of the agreement, 2011 to 2013.

Both the company and the trade unions are positive in their view of the state of industrial relations, defining company-level bargaining as an opportunity to align, within a framework of participative co-operation, management dynamics to the company's needs. This can take place both at the national group level, through dialogue with the RSU Co-ordinating

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<sup>39</sup> It was noted in the Cypriot national report that the research for the INFORMIA II project was 'welcomed by the management of the company in a friendly and co-operative way'.

Committee, and at the local level ‘by maintaining a constant link with locally-based RSUs so as to be able to provide a rapid response to organisational and market demands as they arise, working out solutions that are sustainable to family-work balance’.

In the UK CCE has established a number of ‘employee representative groups’ at national and local site level. There are also joint site consultation fora for dispute resolution, on which recognised trade unions are represented.

### *Industrial Disputes*

Given the commitment of the Coca-Cola companies to an ‘open and inclusive work environment’, most of the INFORMIA II participating countries report industrial conflicts within the past few years. These disputes were due, mainly, to plant closures, rationalisation of production and job losses.

In Croatia there have been three significant disputes in the past twelve years. The first, in 2000, resulted from the introduction of surveillance equipment to monitor employees in the Zagreb plant. The works council had to initiate court action, which it won, and the company had to remove the equipment. The second dispute, in 2006, resulted from the outsourcing of its transport activities, the redundancy of 120 company drivers and the level of severance pay offered. The dispute last year was as a result of the closing of a plant in Solin with the loss of 50 jobs.

In Cyprus there was a recent strike in order to ensure the full implementation of the existing collective agreement by management. The strike succeeded in achieving all the trade union objectives. In Ireland, while on the whole industrial relations are good, there have been disputes in both TCCC and CC HBC, in recent years. In June, 2009, CC HBC announced its decision to outsource the remaining elements of its distribution and warehousing operations, affecting 130 employees spread across six sites. The company allowed a period for consultation to examine any viable alternatives to outsourcing. This consultation did not result in any agreement, with the sides been too far apart on the wage levels that would apply if the jobs were to remain in-house. The company offered the choice of redundancy or transferring to the three new outsourced contractors that the company proposed to engage. SIPTU, representing the affected workers, argued that outsourcing could still be avoided through internal rationalisation. With the breakdown of negotiations, a strike was called and it ran from August to end-October, 2009, with a number of unsuccessful interventions by the Labour Relations Commission and the Labour Court. It was eventually settled on revised Labour Court recommendations.

As part of a rationalisation of its European operations in 2007, TCCC announced the closure of the concentrate manufacturing plant in Drogheda, with the loss of 250 jobs. This was followed by a dispute over redundancy payments, which was eventually settled. The Drogheda plant was unionised and production was moved to other locations that have a lower level of trade union membership. A new non-union facility was opened in Wexford in 2011.

While it is the general view of worker representatives that industrial relations in CC HBC Italia ‘is sound’, there have also been some strains in recent years. In 2010, following a unilateral decision (in the opinion of the trade unions) by the company to reform the on-call availability for plant maintenance staff and to change the incentive arrangements to ensure that targets are met by sales representatives, a one-day strike was held and a ban on overtime

was imposed in a number of plants. This resulted in the decision to penalise those who failed to meet their sales targets been dropped by management and a new agreement been signed.

### *Information and Consultation*

Information and consultation structures are in place in Coca-Cola companies in all of the INFORMIA II participating countries, with varying degrees of effectiveness. In Bulgaria the structures are described as low and to some degree ‘inadequately’ developed. It is only through the assembly of the workers’/employees’ delegates that there is a process of information and consultation. In practice trade unions are not formally included in the process of information and consultation, although the trade union members participated in the assembly as delegates. It is not clear from the interviews undertaken as part of the INFORMIA II study to what extent this assembly influences productivity, competitiveness or corporate management – apparently its influence is too general, if it exists at all.

The information and consultation arrangements in CC HBC Croatia are in line with the national legislation. In 2011 the works council was very involved in the proposed closure of the Solin plant and the loss of 52 jobs. It held almost thirty regular, extraordinary and electronic meetings to deal with this problem. The main issue in dispute was the severance pay offered by management. Negotiations were tough, but, in the end, there was partial satisfaction with the final outcome, as management eventually accommodated, to some extent, the joint demands of the works council and the trade unions and increased its severance pay offer.

Besides restructuring, other important issues dealt with by the works council in Croatia recently were:

- productivity - with the emphasis on organisation and flexibility of working time, including a redistribution of working time and overtime work;
- changes in employment levels, for example, the opening or closing of job positions and any resulting dismissals; and
- health and safety – for example, the works council brought to the attention of top management certain problems faced by workers in warehouses, which the management was previously unaware of.

Management claims that the works council is well informed on company business and on management decisions and is proactive in initiating discussions with management. The company reports regularly on its relations with the works council to the CC HBC head-office in Athens. Indeed, head office must approve all extra expenses resulting from information and consultation procedures. One such expenditure which has had an impact on the influence of the works council was its request, in 2008, to use the company's internal e-mail system to deliver reports of meetings to all the workers with e-mail addresses, as a result these meeting reports have become, in the words of the works council president ‘the most read circular letter in the company’.

In Cyprus, employee representatives participate, through formal arrangements, in discussing various issues related to company policy prior to any decision-making. The main concerns include the increase of productivity and competitiveness, promoting training and retraining policies, with a view to minimising dismissals. The company is also active in corporate social

responsibility policies and in promoting a more social approach, both internally as well as in the wider Cypriot society.

Finally, vocational training programs are designed and offered both through internal structures as well as by external experts. Trade unions are not involved in this process, although trade union members receive special leave, during working time, to participate in training programmes provided by trade unions.

At the national level in Ireland CC HBC does not have an information and consultation forum. However, there is a House Committee in place but this is, primarily, an industrial relations negotiating body and the key forum for contact between the trade union (SIPTU) and management. The House Committee has seven employee members, representing the different regions ('territories', in CC language), and operating departments. The responsible SIPTU official attends all House Committee meetings. There is a good open exchange of information and discussion on the agenda issues, which, at present, include a) health and safety; and b) an alcohol and drugs at work policy.

In CC HBC Italia information and consultation arrangements are very detailed and are organised on two levels, national and local. At the national level the Co-ordinating Committee meets twice annually and has a very wide-ranging agenda, which includes:

- A presentation of year-end accounts for the previous year
- An outline of current affairs
- Scheduling of working hours and the organisation of working time locally
- The production targets for each plant
- An overview of employment turnover
- Proposed training programmes

In addition to these issues at the national level, local information and consultation fora deal with the following issues:

- Working hours
- Occupational and training requirements
- Flexibility
- Job and professional classification
- Efficiency and productivity issues
- Workplace climate.

In the UK CCE has established employee representative national groups at both the national and at site levels, which cover all employees.

#### *European Works Councils (EWC)*

Each of the three companies has its own EWC and their activities are co-ordinated through the European Federation of Trade Unions in the Food, Agriculture and Tourism (EFFAT). Indeed, joint meetings with representatives from the three CC EWCs have been organised through the EFFAT in the past, with four such meetings held each year.

With regard to the countries participating in the INFORMIA II project, most have representatives on the CC HBC EWC, which was established in 2002. Its agreement states that its role is:

*to improve information and consultation among company workers within the geographical area where the accord applies (art. 1).*

The CC HBC CEO, or another senior manager delegated by him, as well as the workers' representatives, as set out in Table 2, are members of the EWC. The workers' representatives elect five of their members from different countries to be the Standing Committee whose functions are to agree agenda for meetings; to have contact with management; to request extraordinary meetings, if required; to invite external experts; to encourage the training of EWC delegates; and to resolve controversies should these arise.

The EWC meets in plenary session once annually, but the Standing Committee may call additional extraordinary meetings should such meetings be considered necessary. Delegates meet before or after the plenary session so as to be able to plan for common action.

The EWC agreement envisages the possibility of the employee representatives having access to expert advice. These experts are provided by EFFAT and, at present, the expert working with the EWC is Pietro Pellegrini who has wide experience, not only as a member of the central secretariat of the Italian agriculture and food trade union federation, *Unione Italiana del Lavoro Agroalimentari (Uila-Uil)*, but is also a member of the EWC in the brewing company, SABMiller. He attends the EWC delegate meetings before the annual meetings and also all Standing Committee meetings.

In the past two years there have been a number of extra meetings to deal with key issues, such as the proposal of management to pool services (*Omega Shared Services Centre*) to be based in Bulgaria, which will result in redundancies in other countries. The 2012 annual meeting (May, 2012) will discuss how communications with the local/national levels can be improved, in line with the requirements of the Re-cast Directive.

Table 2 Worker Representatives on the CC HBC EWC <sup>40</sup>

COUNTRY	REPRESENTATIVE
Austria	2
Bulgaria	2 *
Cyprus	1 **
Czech Republic	2
Estonia	1
Greece	3
Hungary	2
Ireland	1 ***
Italy	3 ****
Latvia	1
Lituania	1
Northern Ireland	1 ***
Poland	4

<sup>40</sup> With regard to Croatia, senior management in Athens refused a request for representation, or even observer status, at the CC HBC. On the other hand, EFFAT and the International Union of Food Workers (IUF) included Croatian trade union representatives from CC HBC Hrvatska in meetings of Coca-Cola company representatives.

Romania	3
Slovenia	1
Slovakia	1
Total	28

Notes on the membership of the CC HBC EWC from the INFORMIA II countries:

- \* Just one of the Bulgarian members is a trade union member
- \*\* In Cyprus the membership alternates each year between the two main trade union confederations, SEK and PEO. The two alternating members keep each other informed of developments
- \*\*\* CC HBC operates on an ‘all-island’ basis and there are two Irish members, one from Northern Ireland and one from the Republic
- \*\*\*\* The three Italian members each represent the three largest trade union centres, Flai-CGIL; Fai-CISL; and Uila-UIL.

A number of EWC members interviewed say that the EWC provides the opportunity to see the ‘big picture’ and is a good source of information, both for unions and for management. For example, a new out-sourcing policy was shown to and discussed with the EWC before local management saw it. There is a view, expressed in the interviews, that there is some reluctance on the part of CC companies to share information and to consult with the EWCs. According to an interview with the EFFAT expert, Pietro Pellegrini: *If you go beyond face value, the truth is that companies would willingly avoid having to go through all this. They inform you but they don’t actually consult you and the information they give is often incomplete, sketchy and late*<sup>41</sup>.

Language and interpretation are also identified as an issue, in particular when a clear understanding of the topics been discussed is needed. This problem has only been partially addressed and the Standing Committee has tried to deal with this problem by arranging language courses for Standing Committee members. Another problem is how to deal with information that management designates as ‘confidential’, presenting worker representatives with the dilemma as to what information can or cannot be disclose to the workforce.

The agreement for the CCE EWC was renewed in 2011, to bring it into line with the Re-cast Directive. It is noted that in this new agreement the number of GB delegates has decreased from 10 to 8. Out of these eight delegates, only three are union members and two of these are shop stewards.

Finally, there is also an EWC for TCCC, with members from all countries of the European Economic Area (EEA), with the exception of smaller countries, such as Luxemburg and Liechtenstein. This EWC now seems to have entered a more constructive phase, following a somewhat turbulent period in 2008, when trade unions were unhappy with, what they considered, was management’s unfair conduct in relation to a downsizing process in ten countries across Europe, when management argued that these were individual, national restructurings and, consequently, not for discussion with the EWC, which raised the problem, from an EWC perspective.

The company is in a continuous process of restructuring and change and, in general, it is the view of EWC members that management is good at sharing information with them, as with

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<sup>41</sup> Interview as part of the INFORMIA II study

the CC HBC. However, it is the view of a number of EWC members that management still control the information flow and ‘you are never quite sure if you were getting the full picture!’ One of the challenges for EWC members is that management frequently insists that issues, which the EWC would like to discuss, are national rather than transnational, as in 2008.

A new agreement was signed and came into force on 1 January, 2012, and elections for the Standing Committee members took place in February. According to the EFFAT expert, this is the most interesting of the three EWCs, as well as the most innovative:

*The advantage of the TCCC EWC is that all member are able to communicate in English and are familiar with all the technological means that allows them to be in contact at all times. In addition, many of them meet for reasons related to the international nature of their work and not only exclusively for EWC duties. This factor stimulates information sharing, unlike the situation in other EWCs where exchange takes place almost exclusively during EWC meetings, once or twice a year. The TCCC EWC delegates are able, not only to circulate their messages but also to push them through in a single voice to the appreciation of the management.<sup>42</sup>*

### *Conclusions*

Overall, there is a general view that the Coca-Cola companies are open and forthcoming with relevant information at the national and EU-levels, but there are concerns that information is too closely controlled and filtered by management.

However, there is also a view that the EWCs are a key source of information for workers and trade unions, although there was some concerns expressed about managements’ control of the information provided to the EWC and with the serious lack of ‘consultation’.

While Coca-Cola states its commitment to good employee relations, in its companies in four of the INFORMIA II participation countries there have been disputes in recent years, mainly as a result of redundancies, outsourcing of jobs, or changes to contractual arrangements.

The influence of the EWC on different processes and management decisions is minimal in a number of countries.

The link between the EWCs and any national information and consultation arrangements have, up until now, not been developed and it is left up to the individual EWC member to organise a reporting-back procedure.

The support of the European Federation of Trade Unions in the Food, Agriculture and Tourism (EFFAT) and the provision of experts to the three EWCs is vital for the functioning of the councils and the effective input of employee representatives.

### ***Services – tourism sector***

#### *General status and industrial relations in the sector*

The EU tourism sector generates more than 5% of the EU GDP, with about 1.8 million enterprises, employing around 5.2 % from the total labour force (approximately 9.7 million

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<sup>42</sup> Interview with Marcello Ries, EFFAT expert with the TCCC EWC.

jobs). Tourism therefore represents the third largest socioeconomic activity after the distribution and construction sectors.<sup>43</sup>

HORECA, which is part of tourism services, covers hotels, restaurants, cafes, canteens, short-stay accommodation and similar establishments. It is largely a SMEs dominated sector, with 99% of firms employing fewer than 250 individuals. The firms usually hire also large number of seasonal workers in addition to the permanent during the peak periods.<sup>44</sup>

The main social partners for HORECA at the EU level are the EFFAT - European federation of Food, Agriculture and Tourism Trade Unions, which is also responsible for all the tourist sector and the HOTREC - Hotels, Restaurants and Cafes in Europe. There is a sectoral social dialogue committee for HORECA, established in 1999.

### *The Hilton Hotel (Cyprus)*

#### Importance of the tourism in Cyprus

Tourism (including hotels and restaurants) is the most important sector in Cyprus. In 2009 - 2010 it was affected by the crisis, but although that the earnings in foreign exchange increased in 2010 with 4%, comparing to 2009. The contribution of the sector to the national GDP and the employment level remains among the highest in the economy as a whole.<sup>45</sup>

The social partnership organisation for the sectors in Cyprus are the Cyprus Hotel Association and Association of Cyprus Tourist Enterprises – by the side of employers and the main trade unions are the Hotel, Catering and restaurants Employees Federation, affiliated to the Cyprus Workers' Confederation (SEK), Union of Hotel and Recreational Establishmnet Employees in Cyprus, affiliated to the Pancyprian Federation of Labour (PEO) and Hotel and Tourism Employees Union, affiliated to the Labour Federation of Cyprus (DEOK).<sup>46</sup>

#### Hilton Hotel Corporation

The corporation is owned by Blackstone Group, with headquarter in the USA, as Hilton Hotel Corporation is based in the UK and operates in many countries from the EU and EEA. The work-force for EU and EEA for 2008 was 135 000. The Hilton International Consultative Forum was installed in 1999.<sup>47</sup>

#### The case of Hilton Hotel in Cyprus

Despite the fact that The Hilton Hotel Cyprus used to participate at the EWC some six years ago, the management of the Hotel was not informed on the reasons why there was no participation since 2006. Despite the fact that the manager would be very positive in promoting such participation and involvement, there was no information what so ever, regarding the reasons of its exclusion from the EWC.

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<sup>43</sup> See Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Europe-the words N 1 tourist destination-a new political framework for the tourism in Europe. European Commission. Brussels. 30.06.2010., p.3 [http:// ec.europa.eu/enterprise/sectors/tourism](http://ec.europa.eu/enterprise/sectors/tourism)

<sup>44</sup> See <http://ec.europa.eu/social/main>

<sup>45</sup> See Antoniu. L. Employment and Industrial relations at the Hotels and Restaurants –Cyprus. 2010. [www.eurofound.europa.eu/eiro/studies](http://www.eurofound.europa.eu/eiro/studies)

<sup>46</sup> See Antoniu. L. Employment and Industrial relations at the Hotels and Restaurants –Cyprus. 2010. [www.eurofound.europa.eu/eiro/studies](http://www.eurofound.europa.eu/eiro/studies)

<sup>47</sup> See [www.ewcdb.eu](http://www.ewcdb.eu)

However, the previous participation of the hotel at the EWC, was a positive experience,<sup>48</sup> both in terms of the meetings themselves, as well as in relation to information spread.

The positive experience in previous participation creates an important base in creating new prospects of incorporation, provided that no other obstacles, unknown to the management are in place.

However, The Hilton Hotel Cyprus forms a very good example of a positive and fulfilled application of industrial relations in Cyprus and full implementation of collective agreements.

Trade union is informed and consulted on developments and mutual cooperation with the hotel management is an important prerequisite for the well functioning of the hotel. Moreover, employees are given the opportunity to receive adequate information and to become part of internal developments in forum meetings. Special emphasis in terms of information and consultation process is given to issues related to restructuring or other important developments.

Normally, consultation is initially made by trade union representatives, to be followed by promoting information to employees themselves. Despite that, in relation to issues related to the internal functioning of the hotel, directly affecting employees, information and consultation are promoted in a more direct way.

The formation of local workers councils leads to an advanced trade union representation and participation role, leading to a mutual respect, understanding and cooperation among the two parties involved.

Special emphasis is given to training issues, promoted both by Hilton Cyprus regarding national policies, as well as by the global enterprise in more advanced issues. Training is provided both by internal and external experts in order to maximise productivity and professionalism of employees, by advancing provided services.

The hotel invests in constructing good relations among the employees, based on mutual understanding, therefore, information place a leading role towards that direction. Information is normally promoted on a department level, according to the issues in concern and issues related to trade union activities or priorities, are normally handled by trade unions themselves.

Finally, the existence of good relations among employees and the hotel's management promotes the establishment of a healthy environment based on trust and respect. In this framework, proposals put forward by employees are taken into consideration by the management which discuss them on a face to face basis, especially on issues which concern their everyday employment and role in the enterprise.

It should go without saying that such environment and culture can contribute to an extensive way towards a successful participation of both the management and employees themselves in the respective EWC. That is to say that, it is believed that a strong national experience on information and consultation process and cooperation can be an absolute bonus towards the full and successful implementation of a EWC structure.

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<sup>48</sup> As stated by the workers' representative at the EWC back in 2006.

## ***Banking sector***

### *General status and industrial relations in the sector*

The development of the major European economies over the past three decades has been driven by market globalisation and by an unprecedented rise in technology usage. This has had a profound and diverse impact on the credit sector, at both institutional and a technical level and as a consequence:

- a. The structure of corporate ownership has changed as ever larger banking groups were created in a bid to enhance competitiveness in an increasingly globalised market;
- b. Corporate restructuring has brought about changes to workplace relations and to work organisation. Labour processes are increasingly more flexible, both in terms of labour organisation and human resources management as companies try to come to terms with the ever changing demands of clients and with continuous technological innovation. Against this backdrop, changes in work patterns have become ever more frequent;
- c. Products have undergone far-reaching changes as banks have evolved from being an institution where clients kept their money, to ones which now sell products such as insurance policies and investment packages, give out loans and apply ever stringent measures to evaluate clients' solvency and the guarantees they can provide
- d. The recent crisis at a global level has a great impact on the financial sector and these consequences need to be understood to prevent change in working processes and work-related risks factors.
- e. Strong market orientation and frequent changes in customers' needs and expectations, global competition and technological innovations, cause frequent changes in the working organisation.

The globalisation of markets, the establishment of the EU and the single currency, the process of liberalisation and the diffusion of ever more sophisticated technology have all contributed to stimulate change in the credit sector. Indeed, Europe and Italy need bigger and more solid banks in order to sustain the real economy that operates in a global context.

Up until the bursting of the financial bubble, the credit sector's action was a response to the new requirements dictated by the global market. In particular, banks were targeting increase in size and assets through huge mergers and acquisitions and seeking new capitals in the market. Banks even attempted to seize the opportunities arising from the new international scenario by transferring part of client services to countries where labour costs were lower. Over the past decade, bank sector jobs in Europe have on average increased, albeit with significant differences from one country to the other. Bank sector jobs increased principally in eastern European countries, unlike what occurred, in Germany, where a significant number of jobs were shed.

A recent study conducted by the European Banking Federation (EBF) covering 45 countries – from the EU to Ukraine and Turkey – revealed that there are 8,852 credit institutions, 262,000 counters and a total of 3.5 million workers. If only UK, Italy, France, Spain and Germany were to be considered, an average bank worker would cost an annual sum of € 70,500. Yet even in this restricted group of countries, the differences in pay are enormous. *Die Welt* showed that while a Deutsche Bank employee costs €166,000, a Barclay employee in England and a Banco Bilbao Argentaria costs respectively €95,100 and €45,700. UniCredit is fifth last, with €56,000. This amount is 20% less than the average recorded in these countries but also

5.4% less than the cost sustained in other banks. UniCredit distinguished itself in recent times for having granted to its former CEO the highest pay cheque ever paid out in Italy among individuals who hold similar corporate positions.

The main social partners in the banking sector in the EU are UNI-Europe-Finance, which is affiliated to the ETUC and three sectoral related employers' associations – European Banking Federation - Banking Committee for Social Affairs (EBF-BCESA), European Savings' Banks Group (ESBG) and European Association of Cooperative banks (EACB).

#### *The picture in Italy*

The banking sector in Italy generates more than 5% of total added value, a proportion that has increased 0.6% since 2000, and employs 3% of the workforce.

Employment levels in the banking sector have also been decreasing in Italy since the 1990s. The decline is due, on the one hand, to a new corporate vision and, on the other, to the changing microeconomic context. Employment has declined following the process of privatisation that has been a feature of the sector over the past two decades. At the same time banks have focused on cutting costs and maximising profit mainly through policies aimed at reducing staff-related costs. A feature of the Italian banking industry since 1996 has been the reduction of staff, a process that has continued to between 2004 and 2007 when occupational levels stabilised. From this perspective, the current trend cannot be exclusively ascribed to the ongoing global crisis, which no doubt has hit hard, but to the objective of maximising profitability which pre dated it.

According to ECB data, the number of employees in the banking sector between 2004 and 2009 was stable. In 2009, the number of employees fell dramatically as 18,000 jobs were lost. This 5% decline between 2008 and 2009 was the fifth highest in EU-27.

The crisis that flared in 2008 triggered further changes. According to Nicola Cicala, a banking sector economist, the process of change took place principally in two phases. Phase 1 coincided with the economic crisis that began in the United States as a consequence of the collapse of a number of large banks, and with the recession and subsequent economic slowdown in Europe. The situation impacted on banks across the EU in different ways. The banks in a number of countries – including Italy – that recorded lower profitability in the early years of 2000 were less affected. Agostino Megale, general secretary of Fisac-Cgil, explains: 'The banking sector in Italy reacted to the crisis better than in other countries. Recent stress tests in fact showed that for a number of reasons the Italian credit system turned out to be sounder than what on the contrary emerged in English-speaking countries and several areas in northern Europe where banks proved to be more vulnerable.'

Banks that over the years had been relying on increasingly sophisticated financial instruments to achieve double digit ROE – i.e. Return on Equity, the most common indicator to measure profitability – were instead overrun by those very instruments they had engineered. A part of Europe was convinced it had weathered the storm and that the economy would be kick-started by the US and German powerhouses. But then Phase B set in with the sovereign debt crisis.

Phase B was caused by the lack of confidence shown by investors for a number of European countries, namely Italy, Spain, Portugal and, of course, Greece, which had been less affected by Phase A of the financial crisis, by virtue of their more prudent credit system. (A few years ago the adjective would have been 'underdeveloped'.) As a consequence of this lack of

confidence shown for the solvency of these European countries, EU banks are in serious trouble.

Presently, the ten major banks in Italy confirmed in 2010 and 2011 the difficulties they had faced starting 2008. If earnings have stagnated, reserves levels have been insufficient and costs have remained unchanged, performance in terms of capitalisation has been shocking. The FTSE Milan and Italian Borse (MIB) stock market index showed Italian banks losing half their value in 2011, forcing them to recapitalise. In addition, while the uncertain performance of the economy and lower interest rates have contributed negatively reducing the profitability of traditional banking activity, falling financial markets have reduced earnings from the services they provide. Nevertheless, the incongruence between annual results and stock exchange performance should be borne in mind.

A symptom of the serious difficulties the Italian credit system is facing can be deduced by the decline of private and household savings as a proportion of overall collection, which slumped by 80% year-on-year due to the difficulties households in saving. Another significant indicator of the crisis is the sharp decline of fixed investment credits granted by banks in the fourth quarter of 2011 (- 50%).

The market value of banks has been declining regardless of their performance. This can be partly explained by the lack of investor confidence for the public debt securities of European states that form a significant portion of the banks' investment portfolios. Other causes are represented by the persisting macroeconomic uncertainty and by speculation.

Gross and net profitability declined. Operational costs were substantially stable in 2011, showing a slight improvement in the cost-to-income ratio with respect to the previous year. The fall was principally due to job cuts and to turnover as younger workers with lower wages replaced senior staff.

The banking association (ABI) believes this crisis is worse than that which affected the industry in 1998. Italy's six major banking groups – UniCredit, Intesa Sanpaolo, Ubi, BPM, MPS and BTL – expect to shed a total of 16,500 jobs by 2015. Loss will be heaviest at Unicredit, where 7,290 jobs will be cut, out of which 5,200 only in Italy.

The Italian banking industry is going through a period of great change, arguably the most dramatic in its history. Considering the rapidity in which the crisis has come to head, an 'extraordinary' and pragmatic effort is required as social partners are well aware.

Two positive facts, though, have emerged to provide some relief to the Italian banking system: a) the change of government that has given back international credibility as reflected on the performance of the economic fundamentals (significant improvement of the spread with the German bunds); b) the move by the BCE, chaired by Mario Draghi, to grant easy-term € 500 billion cash injection for the European credit system, which in Italy has produced a significant increase of bank assets.

*The Unicredit Group in Europe and Italy.*

*A brief chronology of the bank's expansion in Europe*

The UniCredit Group is the outcome of a merger involving nine of Italy's biggest banks, which together formed Gruppo Unicredito Italiano in 1998.<sup>49</sup> In 1999, UniCredito Italiano started its expansion in central and eastern Europe with the acquisition of Bank Pekao in Poland. International presence was further boosted in the following years with the takeover of Pioneer Investments, which became Pioneer Global Asset Management, and strategic acquisitions in Bulgaria, Slovakia, Croatia, Romania, Czech Republic and Turkey. In 2003, UniCredito Italiano finalised the reorganisation of its structures following the implementation of the so-called S3 Project. That project involved the establishment in Italy of three banks operating in specific segments of the market (UniCredit Banca, UniCredit Banca d'Impresa and UniCredit Private Banking), and the New Europe Division. In 2005, UniCredit merged with HVB, a German banking group resulting from the merger in 1998 of Bayerische Vereinsbank and Bayerische Hypotheken-und Wechsel-Bank, two Bavarian banks. The merger with HVB, a group that had linked-up with Bank Austria Creditanstalt in 2000 and could rely on a strong territorial presence in the new Europe, allowed UniCredit Group to grow further and strengthen its European vocation. In 2007, thanks to the merger with Capitalia – Italy's third-largest group – UniCredit Group consolidated and strengthened its position in Italy, one of its key markets of operations. Capitalia had been established in 2002 following the merger of two institutions: the Banca di Roma Group, the outcome of the merger involving Rome's oldest banks (Cassa di Risparmio di Roma; Banco di Santo Spirito; Banco di Roma), Medio Credito Centrale and Banco di Sicilia, with the Bipop-Carire Group. FinecoGroup is also part of Unicredit.

The UniCredit structure in Italy is the following:

- UniCredit Spa – bank and the Group's parent company
- UBIS – the Group's service provider that starting 1 January 2012 absorbed UCBP (back office) UGIS (Information Technology), URE (Real Estate)
- Pioneer (investment funds)
- UniCredit Audit (auditing)
- Cordusio Fiduciaria
- UniCredit Factoring
- Unicredit Leasing
- UniCredit Management Bank (credit collection)
- Fineco Bank (on-line/web bank)

#### *Company model and organisation*

Italian legislation envisages three alternative systems of governance: the traditional system, the dual system, the monistic system. UniCredit applies the traditional system of governance involving a Board of Directors, with administrative functions, and a Board of Auditors, whose function is to control administration, where both are elected by shareholders.

A listed company as well as bank, UniCredit is subject to the normative framework on governance as defined by the Italian civil code, the framework law on finance (Testo Unico sulla Finanza – TUF), the framework law governing banking activity (TUB) and the Corporate Governance Code issued by Borsa italiana, the Italian stock exchange. In particular, the statute establishes specific prerequisites in terms of honourable and professional conduct and interdependence in connection with the Boards of Directors and Auditors (articles 20 and 30 of the statute).

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<sup>49</sup> Credito Italiano; Rolo Banca; Cariverona; Banca CRT; Cassamarca; Caritro; Cassa di Risparmio di Trieste; Banca dell'Umbria; Cassa di Risparmio di Carpi

The nomination of the Board of Directors and the Board of Auditors is regulated by specific procedures according to which board members are to be elected on the basis of lists of candidates owning a minimum quota of 0.5% of the company capital represented by ordinary shares with voting rights at the AGM.

2010 year-end results in Italy recorded a loss of € 50 million, the first time the group closed the year negatively since its establishment in 2002. Although at a group level, Unicredit has never closed the year with a loss, it did record a very serious loss in the third quarter of 2011 of €9 billion, due principally to a transparency issues concerning its shareholdings in Kazakhstan and Ukraine.

The performance of the UniCredit Group during the ongoing crisis is in line with that recorded by the banking industry as a whole.

#### *Facts and figures*

Right from the outset, the Group has continued to expand in Italy as well as in eastern Europe through acquisitions and organic growth, consolidating its role in significant sectors outside Europe such as asset management in the United States.

The Group's occupational levels are strictly connected to its significant mergers and acquisition activity over the past years. The period between 2007 and 2008 recorded a sharp headcount increase – from 137,000 to 160,000 – following the acquisition of Capitalia. In September 2008, the Group employed 186,000, down to 160,000 employees in September 2011

Country	Headcount 2010	Headcount 2009	Headcount 2008
Italy	55,814	57,969	60,673
Germany	24,195	23,906	25,790
Austria	11,742	11,987	12,517
Poland	21,166	21,167	21,918
Bulgaria	4,595	4,562	4,598
Croatia	5,278	5,251	5,422
Czech Rep.	2,838	2,715	2,777
Romania	4,761	4,443	4,544
Russia	4,251	4,573	4,574
Hungary	2,548	2,501	2,351
Other	37,733	38,540	41,520
<b>Total</b>	<b>174,921</b>	<b>177,614</b>	<b>186,684</b>

The Group operates in 22 European countries: 33% in Italy, 13% in Germany, 12% in Poland, 10% in Turkey, 6% in Austria and the remaining 26% mostly in Central and Eastern Europe (CEE).

UniCredit holds a strategic position in Austria, Germany and Italy. A leading banking network in its three principal markets of operations in western Europe, Unicredit can rely on 330 branches in Austria, 780 in Germany and 4,700 in Italy. These three countries are highly

interconnected with the expanding economies of the CEE. UniCredit operations in CEE countries have intensified over the years, growing organically and externally through strategic acquisitions. UniCredit is market leader the CEE with 4,000 branches.

In Italy, the UniCredit Group has a workforce of 55,000, of whom 40,000 are in the bank's payroll. 96.5% of the Group's employees have open-ended contracts while only 3.5% work on fixed-time contracts.

According to the 2011-2015 business plan presented in November 2011, UniCredit envisages a revision of the service model in Italy with a strengthening of the remote channels and a reduction in the number of branches. The management estimate that 3,500 jobs will be lost. The pension reform carried out by the Monti Government in December 2011 has affected the Group's job plans in Italy in connection especially with the workers who had qualified for retirement by 2015. According to the old system, some 35,000 workers could have retired but with the reform the number of workers who could have retired from now to 2015 has gone down to 750. This has seriously impacted the Group's business plan. The commencement of negotiations is overdue but has not even started, with the deadline being further postponed to find out what management will propose to trade unions as an alternative to retirement with a view to implementing cost cutting measures on the HR front as envisaged in the business plan.

Trade union representation, collective bargaining and right to information and consultation  
The banking sector in Italy is characterised by the presence of a plant-level union structure (RSA) and not by the unitary workplace union structure (RSU) as introduced in the tripartite agreement in 1993. Each signatory union to collective agreements is entitled to establish a separate representative body within the company. The RSAs in the banking sectors have not been turned into RSUs as has occurred elsewhere in the private sector, due to the significant presence of autonomous unions who fear losing part of their representation rights. Also present are workplace security representatives who are elected on a territorial and regional basis.

An industry-wide agreement on trade union freedom signed on 7 July 2010 established the opportunity for eight workers subscribed to the same trade union organisation to set up a plant-level union structure (RSA) in productive units employing at least 15 persons. It is possible to set up a RSA coordination unit in those companies where more than one RSA of the same trade unions has been set up.

At a company level, the trade union representative system consists of a Group Trade Union Delegation for each trade union organisation and the Territorial Coordination Bodies. These structures are those who hold the right to be informed about employment trends, organisational revision processes, management of part-time applications, monitoring of overtime, training and retraining activities.

The unionisation rate in the banking sector is about 80%, much higher than the average membership at a nationwide level (about 30%).

The collective bargaining coverage (100%) in the banking sector is higher than the national average (80%). In line with the national framework, the banking sector provides for two different levels of collective bargaining: industry-wide level and company level. The latter involves diverse and non-recurrent issues that are not specifically covered in the industry-

wide contract. Additional company level contracts have a three-year duration and must comply with the framework regulations and references outlined in the industry-wide contract.

Trade union relations are governed according to the rules and regulations established in the banking industry-wide contract which was last signed on 8 December 2007.<sup>50</sup>

Every year, banks provide company-based trade union structures information concerning:

- a) Strategic outlook with a special focus on economic and productive performance; on restructuring processes and organisational changes; on the quality of the services provided
- b) Structural profile, i.e. the number of employees in service, occupational trends within the group and the single operative units, staff transfers, job level forecasts;
- c) Quality of human resources regarding in particular training and related incentives, working time flexibility, part-time work, telework;
- d) Specific action for example in the area of health and safety or to encourage proactive measures to enhance equal opportunities (for which a nationwide joint commission is in place), to combat sexual harassment and to help the disabled.

In addition to the annual meeting, trade unions may also organise a semi-annual event to discuss occupational levels or work loads.

At group level, relations must include disclosure of information, consultation and negotiations regarding in particular the impact of the restructuring of group companies in terms of transfers, occupational levels, training and professional requalification. Group management is required to present its plans on these issues to the trade union delegation.

On 24 October 2011, social partners in the banking sector signed a unitary framework agreement on contractual rules in which they agreed on the centrality of the industry-wide contract with respect to company-level, or secondary-level, contracts. Company-level contracts, it was agreed, could modify and adapt some aspects that have been defined at a national level or by law in ways and within the scope fixed by the nation-wide contract itself. The agreement also introduced the certified vote for industry-wide and company-level negotiations. The agreement will be included in the new nation-wide banking contract, which has expired since one year and is about to be concluded.

According to the 2011-2015 business plan presented in November 2011, UniCredit envisages a revision of the service model in Italy with a strengthening of remote channels and a reduction in the number of branches. The management estimate that 3,500 jobs will be lost. The pension reform carried out by the Monti Government in December 2011 has affected the Group's job plans in Italy in connection especially with workers who had qualified for retirement by 2015.

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<sup>50</sup> The signatory trade unions of the last industry-wide agreement (2007) are the following:

- the Italian Federation of Insurance and Credit Workers' Unions (Federazione Italiana Sindacale Lavoratori Assicurazione e Credito, Fisac), affiliated to the General Confederation of Italian Workers (Confederazione Generale Italiana del Lavoro, Cgil);
- the Italian Banking and Insurance Workers Federation (Federazione Italiana Bancari e Assicurativi, Fiba), affiliated to the Italian Confederation of Workers' Trade Unions (Confederazione Italiana Sindacati Lavoratori, Cisl);
- the Union of Italian Credit, Collection and Insurance Workers (Uil Credito Esattorie e Assicurazioni, Uilca), affiliated to the Union of Italian Workers (Unione Italiana del Lavoro, Uil);
- Ugl Credito, affiliated to the General Union of Workers (Unione Generale del Lavoro, Ugl);
- the Autonomous Credit and Allied Services Union (Sindacato Autonomo Lavoratori del Credito Enti Assimilati, Silcea);
- the Independent Federation of Italian Banking Workers (Federazione Autonoma Bancari Italiani, Fabi).

At the end of February 2012 Unicredit management convened trade union representatives to outline its new plans following the changes in the pension framework. In confirming the cost cutting targets set in the 2011-2015 business plan, the management put forward a series of alternative proposals. The key points of these proposals are as follows: the 750 workers eligible for retirement will do so in 2015; freezing of job classifications defined in company-level contracts and subsequent postponement of related compensation; redefinition of company allowances; mandatory utilisation of paid in lieu of compensation; concession of part-time and flexi-time; insourcing of outsourced activities with related possibility of staff transfers (within the limits established by industry-wide contracts).

Should an agreement in line with the targets be reached, Unicredit would be willing to discuss paying a corporate bonus and hire new staff. It also declared it might open, at a later stage, negotiations for the implementation of further cost cutting measures in the HR front such as solidarity contracts.

The industry-wide contract was renewed on (18) 19 January 2012, one-and-half years after it had expired on 31 December 2010. On the wages side, workers received an average salary hike of 6%, corresponding to a gross increase of €170 (trade unions had demanded € 205 for the 2011-13 period), to be granted in three parts, between 2012 and 2014. Automatic seniority increases have been frozen for one-and-a-half years. Group companies may extend working hours at branches from 8 AM to 8 PM, without changing the individual working time of 7.5 hours. While the management of this working time segment is enabling, trade union agreement is required to start work before 7 AM or to extend work from 8 PM to 10 PM. The agreement also introduces the complementary contract with a weekly working time of 40 instead of 37.5 hours, with a 20% wage reduction and a one level lower job classification. This would be compensated by the insourcing of presently outsourced functions. A bilateral fund is to be set up into which Unicredit will pay 4% of the annual pay of employees to sustain job levels. The move is expected to ensure the hiring of 6,000 new employees over the next five-year period. The newly hired would receive an entry salary that is 18% lower. Attention is to be given to the creation of ‘good jobs’ capable of meeting the expectations of unemployed or temporary employed youths, with the stabilisation in three years of 30,000 fixed-end contract holders, who would be hired with professional entry salary parameters. Though 90% of the sector’s workforce continues to hold open-ended contracts, in the past few years only 35% of new employees have been hired with this kind of contract. ‘The basic idea – Agostino explains – is to gradually to usher senior workers into retirement through part time contracts while taking action for the stabilisation of youths currently employed with fixed-term contracts.’

An important chapter involves continuing education. As for industrial relations, the demand is to strengthen concertation by widening the rights to information and consultation in connection with restructuring processes. Company-level negotiation will be strengthened to cover a broader spectrum of issues. The entire negotiation process – handled up to this moment by the seven trade union organisations that are represented in the sector – is animated by strong sense of democracy where there is a great commitment to achieve maximum consensus among workers.

Social partners have given a positive assessment of the agreement, underlining that it was achieved in a critical period. The pragmatic approach allowed partners to make acceptable compromises. Significant achievements for the trade unions were the recovery of purchasing power, the protection of jobs and intergenerational solidarity. Dissent was expressed by the

leftwing minority within Fisac-Cgil, which strongly criticised the 18% lower entry salary for the newly hired; the longer working hours; and the young workers' fund, financed with the money of workers but bilaterally managed with the employers.

### Restructuring and social dialogue

In the banking sector, both workers and employers can rely on a joint national solidarity fund set up to sustain income, occupation and professional training for employees. Established in 1998, its task is to take action aimed at:

a) enhancing career training and change

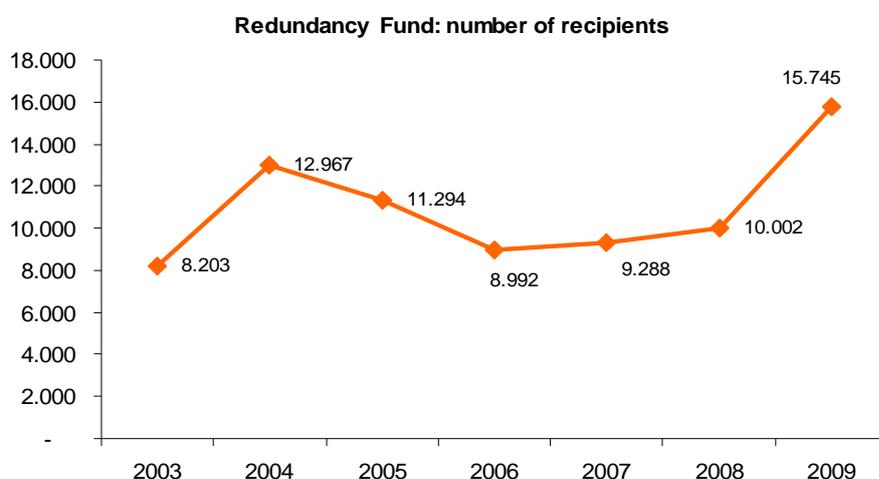
b) sustaining profit and jobs

for the benefit of workers employed in institutions that have been impacted by restructuring, crisis, corporate reorganisation, job cuts.

Access to this funding on the part of the company will be regulated according to the contractual procedures foreseen when corporate restructuring affects on the working conditions of workers.

This instrument has proved to be key in ensuring a relatively consensual management of the restructuring processes that have deeply affected the industry. Over the past decade, there have been 30,000 recipients of the Fund.

### **The number of recipients of the Redundancy Fund – 2003-2009**



*Source: ABI on data of Banca d'Italia*

Thanks to the so-called solidarity contracts that have been financed by the Fund it is possible to manage temporary crisis situations requiring shorter working hours (up to maximum of 50%) while ensuring that gross salaries remain around the 80% mark.

Nevertheless in June 2011, the association that groups all credit institutions in Italy (ABI) rejected the procedures for the voluntary access to the Fund. In autumn a new accord was signed re-establishing that access to the Fund will continue to be on a voluntary base and negotiated during collective bargaining. The Fund will thus continue to be an indispensable instrument during phases of restructuring.

As for Unicredit, company-level agreements signed in 2009 and 2010 targeted optimised utilisation of part- and flexi-time.

On 18 October 2010, Unicredit and trade unions signed an agreement for the implementation of the corporate reorganisation project in the 2010-2013 three-year period. The 'One4c' project – as it was called – involved the voluntary retirement of 3,000 employees who had qualified for retirement or who would meet pension requirements by 31 December 2013. As for hiring, the plan envisages the stabilisation of the 1,077 workers who had joined the bank on apprenticeship contracts and the hiring of 1,000 new employees over the three-year period.

The agreement was welcomed by the banking sector trade unions. The general secretary of FIASC-CGIL said it was very 'important and positive.' Also because 'the agreement was signed against the backdrop of a difficult scenario where the bleak outlook and the difficulties faced by the bank, starting with the change of the CEO, were casting a shadow over the negotiation' he added. 'The number of redundancies went down from the 4,700 initially demanded by the bank to 3,000 over the three-year period, and will all involve voluntary early retirement. But there were also positives especially for youths. The agreement, in fact, foresees stabilisations and new hiring for a total of 2,100 young people, and in full compliance with the industry-wide agreement. The agreement was signed by all trade union organisations, proving that trade union unity on clear targets can achieve excellent results.'

However, this substantially positive climate gradually worsened in the course of 2010.

In Summer 2010, the bank submitted to the trade unions the 'Three Year Reorganisation Plan' of the Group in Italy. The Plan is the consequence of the merger operation called 'One4C' and of the need for the company to reduce costs, following the negative trend in corporate accounts and specifically in the Italian perimeter. The plan envisages, in the period 2011-2013, the freezing of staff costs increase (about €422 million) through 4,700 redundancies (600 of which represented by workers who missed out on the Solidarity Fund on 1 of July). According to the management, the redundancies involved staff with pension matured rights from now up to 2013. The number of redundancies could increase if less senior staff was involved. Also according to the company, other pillars in order to reduce costs would be: professional / territorial mobility, new professional roles and flexibility for new employees and for specific activities, as already provided by art. 23 of the Banking Sector National Agreement, total review of current professional classification.

According to the trade unions the negative business trend was determined not only by economic crisis, but also by trade policies that the Group has pursued and trade unions always opposed and never shared. The plan provides a significant cost cuts, but lacks an explicit policy of revenue growth. Unions claim that cost reduction must be guided by criteria of fairness and transparency. This means that the management group will do its part and lead by example. Moreover the other international activities of the Group have to contribute. That implies that the cost cutting must not be realized through de-localisation of Italian activities and, the Group has agreed with unions on this point. Even policies on incentive systems must be aligned with the scenario and reduced costs. Unions complain that the total number of redundancies communicated has never been announced, nor shared with trade Unions. They asked for going on with the practice of consensus and voluntary retirements. The actions required by the Management will fall under the current Banking Sector National Agreement. Despite the difficulties of the moment, the company seem to confirm the solidity of the Group

and the willingness to continue the dialogue with trade unions in the tradition to find shares solutions.

Some measures adopted by the Group in order to cope with restructuring and costs reduction have provoked the reaction of the unions. As in the case of the corporate decision to proceed with the assignment of the HR Shared Service Center to a Newco, which is not part of the UniCredit Group and which is controlled by a non-bank company. A project of outsourcing of activities and workers, which comes just on the eve of the presentation of the new industrial plan, against which the unions proclaimed a national strike of all Unicredit Group workers on the 10th October 2011 as part of the 15-hours package which was decided after the failure of the mediation attempt. Unions denounce the growing pressure and concern of the workers of the branch network due to: continuous reorganisations, commercial pressures, shortage of manpower and zero setting of the grading rules. They complain the extremely negative climate has produced a drastic deterioration of the general living and working conditions and the worsening of professionalism and the existing competences. As a consequence, all trade union contacts are temporarily suspended in the entire Group and at all levels.

According to Giusy Cucinotta, Fisac-Cgil Group delegate: ‘Industrial relations within UniCredit have traditionally been very innovative, but now they are coming under increasing pressure. Relations are being strained by the difficulties faced by the bank at this moment and by the corporate plan to outsource a number of activities – HR administration – to a newco in which HP holds the majority. The move has led trade unions to declare a strike, which was called off as the management decided to postpone the plan.’

#### Productivity, human resources and continuing education

As established in the industry-wide contract signed on 8 December 2007, a corporate bonus is awarded when corporate targets are achieved. The bonus is due to all employees having open-ended contracts, apprenticeship contracts and fixed-term contract who passed the trial phase in 2010.

To be pursued following an agreement among the social partners, the corporate targets consist in stimulating growth in terms of production, quality, and results. The entity of the bonus – correlated in group companies to job classification – will be calculated according to one or a combination of the following indicators listed in the nation-wide contract: profitability, efficiency, productivity, quality, degree of risk. Should a combination of indicators be used, each would be carefully assessed according to parameters that have been approved by trade unions. The bonus would in any case take into account the performance of the group and of the companies referring to it. Should the result of ordinary activities be negative, no bonus will be paid. Nor would it be paid in case of a negative professional report. With a view to improving corporate productivity, the bank may set up incentives in the form of a stock option or stock granting depending on the reaching of specific targets different from those defined in the nation-wide contract.

According to Fisac-Cgil general secretary Agostino Megale: ‘Productivity must be taken up as a common challenge. Italy has got a productivity issue that, combined with the distribution of income and salaries, has aggravated over the years. There is a problem that concerns the total productivity of the factors, which is lower even when productivity per head is substantially similar. This is the consequence of productive system that is excessively fragmented in small enterprises, where productivity is significantly lower than average and

where there is a degree of undercapitalisation.. The issue here is not about an alleged rigidity of the job market as many both in Italy and Europe would like us to believe, Productivity is a topic that must be tackled with a sense of responsibility and intellectual honesty.’

With a view to boosting productivity, a crucial instrument is represented by investment in continuing education. Unicredit and the Employees' Representatives share the belief that a qualified and skilled workforce is a key and distinctive factor that generates a competitive advantage in each sphere of activity. Lifelong learning and development therefore become crucial to guarantee long-term sustainability of economic results, assuring continuous deployment of People, being human capital recognised as a fundamental basis for the success of any company's strategy.

In particular, the Banking and Financial sector constantly requires a high level of services and innovative solutions to ensure market competitiveness. Training and professional development in this perspective represent fundamental employability elements in a dynamic context, often characterised by significant reorganisations and globalisation of markets, products and services. The newly acquired competencies enable People working in the Group to seize new opportunities, improving their flexibility and reducing possible social impacts.

In 2002 the social partners of the banking sector had signed an agreement of social dialogue on the topic of Life Long Learning. The four key themes of the European agreement implemented into the Italian national sectoral agreement of 2007 – were: 1) defining professional, vocational and entry level skills, 2) recognising and validating competences and skills, 3) providing information and support on principles, rights and responsibilities, 4) employment and retraining through mobilising resources.

The bank shares with trade unions the view of continuing education as being a key tool for personal development and corporate growth in line with its ethical and social responsibility values. A 2005 agreement had confirmed the crucial role of training for the career development, reconversion and re-qualification of personnel. A new agreement, signed on 4 December 2008, concerning excess staff, while acknowledging human resources as a fundamental asset of the Group, once again highlighted the Group's commitment to provide continuing education to its staff. Career training has been a distinctive trait of the Group right from the outset. In fact all reorganisation processes have always been accompanied by an articulate and broad-ranging career training offer not only technical and professional but also in the area of conduct and management. Following an inter-confederation agreement, the joint national inter-professional Fund for continuing education in the credit and insurance sector – Fondo Banche Assicurazioni (FBA) – was signed on 8 January 2008 by ABI and ANIA with CGIL, CISL and UIL. All UniCredit group companies joined FBA. the ‘Wellness at Work’ programme was launched in 2008 to assess workplace conditions and identify quality standards that would allow persons to fully express their professional potential in a situation of continuing change. The aim is to develop the meta-competence of adaptability – both professional and personal – and to realise the conditions sustaining improved overall living and working conditions.

Trade union organisations, at delegation level and within the training commission, are regularly informed about the career development initiatives that have been defined to sustain the development and competitiveness of the Group.

Following a 2009 agreement, UniCredit defined ‘The Value of Individuals to Achieve Organisational Excellence and Quality of Life’ a career enhancement programme comprising three training projects:

a) Re-training and Self efficacy and Employability in UniCredit Group, b) Integrated development of relational and managerial competencies, c) The Culture of health prevention and organisational wellbeing. Organisational wellness – a concept that includes quality industrial relations and climate and, consequently, their effects on the quality of life – is considered a precondition to the full development of the professional and personal potential of workers, which form the basis for achieving excellence at work and ensuring employability.

Each year, the bank organises the so-called UniCredit Day, dedicating it to a specific theme, which in 2011 was sustainability. The bank states that sustainability is a daily commitment just as transparency is a key value in the relations with stakeholders. The sustainability report, first issued also at a European level in 2008, was described as one of the tools through which the bank highlighted its commitment to stakeholders. Customer centrality is, in fact, the core concept behind the Group’s strategy and action, where stakeholder engagement must be pursued and maintained at all times. The bank has affirmed that its employees are indispensable to its functioning, but trade unions are presently rather sceptical, observing that corporate climate has been worsening.

### The UniCredit EWC

The UniCredit European Works Council (UEWC) Founding Agreement was signed on January, 26<sup>th</sup> 2007. It took office in September 2007, on a 4 years term that expired on September 2011. According to the provisions of art. 19.2, the UEWC requested to amend some articles embedded in the 2007 Founding Agreement mirroring, this way, the current state of the Group in terms of headcount data and geographical presence.

The EUWC is composed by representatives from 15 EU Member States (Austria, Bulgaria, Czech Republic, Estonia, Germany, Hungary, and Ireland), 4 EU candidate countries (Bosnia-Herzegovina, Croatia, Serbia, Turkey), other countries (Russia, Ukraine).

According to the UniCredit Founding Agreement Art. 3 and 4: *‘...on the basis of the number of Employees of the UniCredit Companies in each Country (..) UEWC members – sitting and deputy – shall be UniCredit Group Employees and shall be appointed in accordance with the provisions of the respective National Laws and Practices. For those Countries where no specific provisions exist, Employees representatives shall be elected by ballot from among Employees of that Country.*

*...the processes of appointment of the members will be started and supported by Central Management, with the support of the local offices and the supervision of the Select Committee’.*

The UEWC is a governance body that involves all the European Countries where the bank is present, including both EU and non-EU Members. According to the founding agreement, the Employees’ Representatives have the right to be timely informed and consulted by the Group Management on all the relevant cross-border issues, in particular on those that can have an impact on Employees. It has no negotiating rights, but only informative and consultative.

The Unicredit Central management delegation is composed by the Heads of HR and industrial relations holding from Austria, Germany, Poland and Turkey

The approach adopted by the Company and shared with the employees representative is that industrial relations represent a complex and strategic tool for Company Management through which strengthening the listening and understanding of the expectations and needs both of the Company and of the Employees, aiming at creating a sustainable business and work environment.

The continuous flow of information, consultation, and interaction between Company and Employees' Representatives is managed by the *Industrial Relations - International Function*, that constantly informs the EWC Members about the most relevant issues of the current Group and market scenario. UniCredit Group and the Employees' Representatives firmly commit themselves to social dialogue and to strong cooperation at all appropriate levels, using any available opportunity and tool, with the purpose of making the present declaration always relevant and alive.

Twice a year the Employees' Representatives appointed to the UEWC have the opportunity to meet the Top Management (Plenary Ordinary Meetings) in order to be informed and consulted on the Group's current business situation. Consequently, the results of the meetings are disseminated at local level through UEWC Members.

A Select Committee ('operative body'), comprising 7 Employees' Representatives in addition to the President (eight in all), represents the UEWC's point of contact with the Central Management, receiving information from and communicating with it in a timely manner on behalf of the UEWC. Until now there have been nine UEWC Ordinary Meetings and 22 EWC Select Committee Meetings (14 with the direct participation of the Top Management). Relevant info on the Group are timely provided to the Select Committee between meetings.

Usually, during the first part of the ordinary meetings, the Top Management usually present and explain the main results achieved, the future challenges and the current projects. Then, in the second part of the day, the EWC Members of three selected CEE Countries will present an analysis of the as-is situation of Industrial Relations and Social Dialogue done jointly with the respective Head of HR. The focus should be on the expectations and priorities for the future, tangible suggestions and initiatives that will have to be implemented by the Company to support and facilitate the development of Social Dialogue

Information and Consultation usually refers to:

- Group's structure, economic and financial situation, possible development of the business
- Current situation and probable trend of employment
- Strategic plans, substantial restructurings, organisational changes, mergers and acquisitions
- Collective redundancies
- CSR issues (training, learning and professional development; health and safety; equal opportunities and non-discrimination; labour environmental issues)
- For the Company the benefit of such a system consists in
- Strengthening of social dialogue
- Company-wide vehicle for transparent, timely and steady information

- Improvement of our employees' understanding of the reasons behind Management decisions at Group level
- Diffusion of the culture of social dialogue within the top levels of the Management
- Innovation and change, based on mutual understanding and cooperation
- Development of a European culture

The UEWC and the Group have produced two Joint Declarations, one on 'Training, Learning and Professional Development' and another on 'Equal Opportunities and Non-Discrimination'. This text aims at becoming a point of reference for all the Employees, through the definition of guidelines on such sensitive issues as Diversity, Equal Opportunities and Non-Discrimination, with the purpose of creating a diversity corporate culture, improving the sense of belonging and enhancing the quality of life at work.

Although the EWC does not have negotiating rights, the process developed in concluding the joint declarations are considered by the unions as a sort of de facto agreements, even if they are not named as such. They can be considered as transnational company agreements (TCAs), independently from their legal status, and that guaranteeing their implementation and respect is key for the image of the company.

A quality dissemination of the joint declarations is considered a fundamental step to raise awareness of their principles, creating a common culture and a shared direction. In order to achieve such an aim, the initiative adopted have been the following:

- Translation in 22 languages and uploading of the text in the UniCredit Intranet (in the EWC section)
- with reminders in the HR section that Employees daily use and local portals (Bank Austria, Bank Pekao, HVB)
- Two External Websites  
[http://www.unicreditgroup.eu/en/Governance/European\\_Works\\_Council.htm](http://www.unicreditgroup.eu/en/Governance/European_Works_Council.htm) and  
<http://www.unicreditgroup.eu/en/Careers/Careers.htm>
- HR newsletter and Webcall
- Welcome Kit for new Employees
- Inclusion of the Declaration on 'Training, Learning and Professional Development' in the invitation
- mail for Training and Workshops and in all feedback questionnaires given to participants
- Inclusion of the Declaration on 'Equal Opportunities and Non-Discrimination' in the Training course on Diversity
- Sustainability Report
- Meetings with Employees Representatives organised in each country
- Trade Unions Webpages
- Local initiatives

The initiative for the setting up EWC came from the bank, which must be acknowledged for it. HVB already had a EWC in compliance with ex art. 13 of Directive 45/94. A key role during the entire process leading to the setting up of the DSN (special negotiation delegation) was played by the bank. 'We Italians did stimulate management, but if it hadn't been for the bank, we wouldn't have gone too far,' DSN member Giusy Cucinotta said. 'Italian trade unions had set their sights on establishing a EWC for some time considering that the merger

with HVB while widening international scope had not actually strengthened trade unions, which could not rely on a strong local base. Trade unions were, in fact, very weak especially in eastern Europe, with the exception of Germany and Austria. Very weak labour laws and trade union bargaining in eastern Europe made it practically impossible for Italian trade union organisations to initiate procedures in those countries for the setting up of the EWC. Against a backdrop of improving industrial relations, the bank realised it would make good sense to have someone representative to talk to.’ From this point of view, the EWC could have functioned as a tool to facilitate a common Group culture, considering also that these countries provided a significant contribution to corporate result. Where trade union representations existed, they took action to nominate their DSN representatives, otherwise the bank itself that organised elections in each country. According to Elisa Ottavio and Giusy Bellina who are in charge of monitoring the company’s relations with the EWC, UniCredit’s approach has been to ensure, in line with local practice workers may be represented by a) trade union organisations, b) works councils; c) other representatives. ‘As far as we are concerned, the application of European Directives on the rights to information and consultation are strictly correlated to the various frameworks and laws in the different industrial relations systems. While complying with existing local frameworks, UniCredit remains committed to involving all workers’ representatives at Group level with a view to fostering social dialogue and protecting the working conditions and rights of all UniCredit employees.’

The negotiation started in September 2006 and closed on January 2007. ‘UniFinance – said Giusy Cucinotta who negotiated the agreement on behalf of Fisac-Cgil – helped us define the negotiation platform. It was a complex negotiation because the company had set its mind on a basic agreement and not the one that we ultimately signed. And that was also what the European Banking Federation had in mind: sign a small agreement. The composition of the DSN itself was not balanced as a consequence of the mechanisms set down by the law. Though Italy represented some 30% of overall workforce, it only had two delegates like Germany while the other delegates represented the remaining countries of operations. In the latter – mostly CEE countries – not only was trade union culture weak but there was a lot of prejudice against Italy, especially by the Poles who accused the Italians of having taken over their banks with serious consequences in terms of jobs lost following restructuring. The Austrians and Germans simply stood by not too concerned. We Italians, on the other hand, were keen to go beyond the 2004 Directive. Our aim was to also include in the EWC non-European countries, and in this we had the backing of the bank. We also wanted to make sure that all consulting and information procedures went well beyond the Directive. That Directive, n. 14/2002 on the right to information and consultation, had been transformed into law in Italy in 2007, which was a boon for us. A third element concerned the topics treated in the Directive and related issues, namely meetings, including both ordinary and extraordinary.’

Andrea Bonansea, EWC steering committee member, provided an outline of the work carried out over the past years. UniFinance representatives also attended these meetings. The topics discussed were basically three:

- 1) The training of EWC members as established by the founding accord through the participation in workshops focusing on industrial relations, participation and social legislation in various countries.
- 2) Report on the performance of the Group with a special focus on the employment front especially in Eastern European countries.
- 3) The strengthening of industrial relations at both central and local levels, especially in those countries where trade union relations are weakest (Poland).

Giusy Cucinotta explains: ‘The quality of the people involved is high and so is the information that is provided at the plenary session. But the same cannot be said regarding consultation. Consultation takes place at the EWC steering committee and deal with issues concerning the country involved.’

At EWC level, trade union representatives from various countries are given the opportunity to get to know each other and compare their respective situations. Angelo Di Cristo, FABI trade unionists and current EWC chairman at UniCredit, says: ‘Italy is the country in Europe where credit sector workers are best protected. The industry-wide contract is solid unlike in the UK, where bargaining takes place only at a company level, or in France, where the issue is dealt with the law. The contract is practically all-encompassing in France (93%) and is enforced by law; in Italy the coverage is 80%, whereas Germany and United Kingdom is far behind. As for the contents, we accepted wage moderation in exchange for job guarantees with additional benefits in terms of health care and social security. The fact that bankers are Italy’s most unionised category – over 60% - provides ample proof of the situation. This too is very different from what occurs in other countries where unionisation rates are very low: France and Germany 8% rising to 20% in the United Kingdom.

Goffredo Molteni, EWC delegate: ‘The work of the EWC seems to be quite fruitful not only for the Exchange of information with the Group’s management, but also for proactive activity in order to promote, in all countries, social dialogue and valuable industrial relations. In particular, such activities have been carried on in a concrete and troubleshooting enterprise level collective bargaining in countries like Slovakia, Romania, where for the first time ever a company level collective agreement was finally signed, in UniCredit. An important step was also made in Poland where industrial relations were very difficult, after the acquisition of Bank BPH by UniCredit in 1999 had as a consequence, cut 10.000 employees. From 2008 onwards, the EWC – through its four Polish delegates (from three different unions – has succeeded in rebuilding a decent system of industrial relations at that country level, improving the situation of the employees’.

About the TCAs, trade unions reps noted the difficulty of disseminating them in countries where trade unions are not present and stressed the need to link TCAs with European sectoral social dialogue and referred in particular to the link between Unicredit text and the 2002 declaration on lifelong learning in the banking sector. Upon a remark from the trade union expert of PL that the implementation of Unicredit TCAs is working well in PL, Mr Di Cristo noted the correspondence with the national system of industrial relations in that country where collective agreements are concluded at company level’.

Managers declare ‘to have a proactive and responsible role in increasing the awareness of the existing varieties as well as in sharing and spreading the mutual understanding. A particular focus is given to training initiatives for supporting them in playing their central role’. The responsibility of each individual represents a priority commitment that gives concreteness to the principles of equal opportunities and non-discrimination.

While respecting the local socio-economic and legal systems, the sharing of best practices, their valorisation and further improvement represent a common aim pursued by spreading the activities that have already been successfully adopted within the Group.

The Agreement was recast on April, 19th 2011. The document was then fully endorsed by the whole UEWC assembly at the 2011 First Ordinary Meeting. The EWC in the new term form

2011 up to 2014 has seen the re-modulation of the members' number, confirming the 44 UWC Members, but increasing the reps of Italy, Russia, Ukraine and Hungary. Numbers of representatives in other countries was reduced, raising up to 100 employees per country the minimum threshold to get a seat into the EWC.

The new EWC has already begun its new mandate with a plenary meeting of the Select Committee. The immediate purpose – explains Molteni, who is now one of the Italian delegate – is the signing of a Global Framework Agreement setting out certain basic common rights throughout the Group, in all countries. This is the case for the freedom of (trade union) association, the respect of human rights and dignity of the persons, working hours, safety and working conditions, employment and skills development, social security, health and insurance coverage. 'At the moment – he says – we are still in the process to define and complete the platform of requests we will bring to the plenary to be approved'.

Italian scholars and industrial relations experts have judged the Unicredit EWC agreement 'as one of the best currently in force in Italy.' Gianni Arrigo, who teaches labour law at the University of Bari, believes the document contains elements of great impact and value beyond the mere 'cut and paste' transposition of the directive. For example, there is the commitment on the part of the company to pursue a socially responsible orientation, to disseminate good practices among group companies in various territories of operations and to better define the notion of information and consultation that are a positive anticipation of what is contained in the new directive. There is 'the unprecedented innovation' represented by the joint declarations that constitute the prerequisite of fully-fledged transnational group agreements. There is, in addition, a broadening of the topics covered by the I&C procedure, besides that which is prescribed in the EWC directive or by the or in Italian law. Two ordinary plenary EWC meetings are to be held every year, while two additional ones are possible should extraordinary events arise, for a maximum of four meetings a year. These are all elements that have made the Unicredit agreement, in the opinion of Arrigo, one of the best in the generation.

In 2009, Directive 1994/45 on European Works Councils was merged in the new Directive no.38, amending parts that had been criticised by experts and trade unions.

Italy has yet to transform the Directive. The European Commission has charged Italy for non-compliance. The government now has two months to respond, and failing to do so the EU may bring Italy before the Justice Commission.

#### The influence on the industrial relations in the subsidiaries in the partner countries

In general the organisational culture of UniCredit Group promotes the respect to human rights (non-discrimination, rights to organise, freedom to act) as well as transparency and trust. The Group usually supports the effective human resource management and promotes social dialogue, including collective bargaining, negotiations and agreements at trans-national level, as well as information and consultation rights, especially at European level. The corporate social responsibility is also among the main values of the company.

In many cases such culture influences the industrial relations in the national subsidiaries, however they are dependent also on the national industrial relations' traditions. For example in the UK, although there are trade union members in the bank, there is no collective bargaining and not information and consultation at work-place level in the UniCredit units.

Despite the good level of pay and working conditions, the industrial relations are weak, with exception of the EWC-representation. At the same time, there were no collective labour disputes, but there have been individual grievances.

The organisational culture of UniCredit has stronger influence in Bulgaria, as there the industrial relations in the banking sector in general exist only in several big banks and the large part of the workforce in the banks is not unionised. In UniCredit Bulbank there are both effective human resource management and appropriate industrial relations and the trade union involves more than 50% from the employees. There is collective bargaining and also workplace information and consultation. In the Bulgarian subsidiary the employees' representatives are mainly the trade union structures. Trade union representatives are also members of the EWC. The dialogue is promoted in the national subsidiary and also the relations between national and European levels are characterized by a good co-ordination. At the same time the processes of collective bargaining and information and consultation are strongly separated. The UniCredit Bulbank promotes also the corporate social responsibility in the country.

The Croatian subsidiary of UniCredit - Zagrebacka banka has a developed system of Human resources management and is among the leading organisations in the field of corporate social responsibility. The work-force is organised (around 40%) and there's also a collective bargaining process. There are provisions for Works councils in the Croatian labour law, but their functions in Zagrebacka banka are obtained by the trade union leadership. There are also two representatives at the EWC and both of them are trade union members, as they represent not only the employees from Zagrebacka banka, but also all the employees of the UniCredit units in Croatia.

In conclusion, the UniCredit culture is comparatively strong in Bulgaria and Croatia and more weak in the UK. However, also in both east European countries the industrial relations are closed at company level, as there is no collective bargaining for the financial/banking sectors in Bulgaria and for the moment there isn't any applicable sectoral agreement in Croatia, either. The information and consultation rights are fully obtained by the trade unions in the two countries at both national and European levels, which support also the co-ordination between the two levels of representation.

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### *Banking sector - Cyprus*

The banking sector in Cyprus involves 353 companies, with aggregate employment of 13000 employees (2008), which is 3.2 % from the employment in the country. As in many other EU-member states, banking sector is not among the most affected by the crisis. The social partners in the sector are Cyprus Union of Bank Employees and Cyprus Bankers' Employers' Association.<sup>51</sup>

### *Société Générale - overview*

Société Générale Alsasienne de Banque is a big multi-national bank with headquarter in France. It has many subsidiaries in the EU-member states and EEA countries, including Cyprus, Bulgaria, Italy, UK. The EWC was established in 1996 and involves representatives from all the countries.<sup>52</sup>

### *Société Générale – the case of Cyprus*

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<sup>51</sup> See [www.eurofound.europa.eu/eiro/studies](http://www.eurofound.europa.eu/eiro/studies)

<sup>52</sup> See [www.ewcdb.eu](http://www.ewcdb.eu)

Although Société Générale is not considered to be one of the major banks on the island since it is primarily deal with corporate banking, if follows a trade union approach, giving its employees the right and opportunity to enjoy participation opportunities in EWC and to involve themselves in information and consultation procedures.

Bank employees take part in representation structures, receiving enough support by their trade union, through which, the right to be involved in issues related to health and safety, vocational and other specific training activities become central.

Although bank employees enjoy the right to participate in EWC structures in a privileged way, since every necessary piece of information is provided well in advance and the whole structure is functioning in a very professional way, it seems that those decisions taken at that level do not have any direct effect on their national employment environment.

The bank management follows a less sound approach towards existing problems, constructing on a more professional approach to issues related and concern the banking system.

The small size of the bank and the quite specific nature of services, does not seems to live very much space for extensive and ‘aggressive’ participation of employees. Therefore, it would not be an exaggeration to state that, the right to information, consultation and participation, not only it is not abused but, on the contrary some times it is not even used to its full extend.

This attitude could well relate to the internal culture created by the bank itself on one hand and on the unwillingness perhaps of employees to take full advantage of their full working rights.

However, this specific case cannot serve as a best example in the banking sector where information, consultation and participation rights and opportunities are evident in the wider industrial relations environment.

Such examples on the other hand, can give evidence to the alteration of approaches, perceptions and practices according to the culture exist or promoted by the management. Such examples are not rare at all in the banking sector in Cyprus, in which liberalization of services has created new trends and cultures.

### *The Popular Bank of Cyprus*

The Popular Bank of Cyprus is one of the leading financial organisations on the island(the second largest), extending its services to a number of other countries globally. Currently it has a network of 478 branches in Cyprus, Greece, Russia, Ukraine, Romania, Serbia, the UK and Malta. The high level of unionisation and related tradition in the banking sector, create the right prerequisites for a successful involvement in EWC.

The bank serves as a good example in which information, consultation and participation are respected and promoted since a number of main issues are taken au board in discussion. In this framework, health and safety issues receive an extensive importance, as well as training and vocational matters in a number of specific topics contributing towards the improvement of provided services by the bank.

Moreover, specific banking policies (i.e. the expansion of bank services, human resources issues etc.) are discussed in the framework of EWC, as well as in the framework of a constructive national internal dialogue with employees representatives and the banking sector trade union.

Established structures and the creation of cooperation, has led to a long standing internal industrial peace, contributing to the further expansion of the bank.

Furthermore, it should be highlighted that recruitment policies, as well as policies related to promotions and bonus were the result of constructive cooperation of all parties involved in maximising mutual cooperation and gain.

On top of the above mentioned information, employees' representatives receive every necessary support in adequately participating in EWC, well in advance in order to be able to prepare on individual and group level.

What is worth mentioning and highlighting, is the fact that people involved in these structures feel a very strong emotional interlink with their bank, this being the result of a genuine cooperation. Finally, employees at the Popular Bank of Cyprus enjoy the right to Board level participation, a development complementing information, consultation and participation legislation and policy, both on national as well on European level, since it gives employees the right to actively participate in decision making process, not only indirectly but directly as well.

However, recent developments in the Bank, following the on going recession situation and the fact that the major owner has fled away, create an environment of very difficult circumstances in which the viability of the bank is under question. The fact that there is an evident danger of the EFSF involvement in order to keep the bank going, indicates the level of the problem.

Under these extremely difficult times, existing structures related to cooperation among the management and the employees will be tested once and for all. This could perhaps lead to distinguishing between theory and practice in relation to well establishment and functioning of existing structures not only in good times, but more importantly, in terms of a serious crisis.

We look forward to receiving appropriate and convincing answers, since it looks inevitable that restructuring will take place and new terms of employment might need to be rescheduled.

### Insurance sector – general status and industrial relations

In the last decade the sector has grown (although of some stops in 2008 because of the crisis) and many mergers and acquisitions have characterised it. In 2008 there were around 920,000 employees in the insurance sector in the EU. The main social partners at the EU level are UNI-Europe-Finance, by the side of employees and The European Federation of National Insurance Associations (CEA), Association of Mutual Insurers and Insurance Co-operatives in Europe (AMICE) and the European federation of Insurance Intermediaries (BIPAR), by the side of employers.<sup>53</sup>

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<sup>53</sup> See Representativeness of the European Social Partner Organisations-Insurance. Comparative study.2012. [www.eurofound.europa.eu/eiro/studies](http://www.eurofound.europa.eu/eiro/studies)

## *AVIVA Insurance (Ireland)<sup>54</sup>*

### *Insurance sector in Ireland*

The insurance sector in Ireland employs less than 1% of the country's total labour force. In 2009, there were 63 insurance companies in Ireland with 14,300 employees. The main social partners are Unite, SIPTU and the Irish Bank Officials' Association (all affiliated to the Irish Congress of Trade Unions) on the union side, and the Irish Business and Employers' Confederation, the Irish Insurance Federation, the Professional Insurance Brokers' Association and the Irish Brokers' Federation on the employers' side. Trade union density was 31% in 2008, but in 2009 the survey of the Economic and Social Research Institute found that the rate of trade union recognition in the insurance sector was 22%, with 14 % coverage of collective bargaining.<sup>55</sup>

### *AVIVA - overview*

AVIVA Insurance is the largest UK insurance company with operations in France, Spain, Ireland, Italy, Poland and the UK, within the EU, and also in Russia and Turkey. It was created following the merger of CGU (formally Commercial Union and General Accident) and Norwich Union in May, 2000, and was re-branded as Aviva in July 2002. In 2008 AVIVA acquired Hibernian Insurance in Ireland and employs around 1,800 staff in a number of locations across the country.

The present EWC (called the European Consultative Forum (ECF) replaced the existing EWCs in the merged companies and has a membership of eighteen from eight countries.<sup>56</sup> There is no Select Committee and inter-meeting contact with management is through the Secretariat which is provided by an Irish and a UK member, both members of UNITE. There were proposals from management to revise the existing agreement, which established the ECF, to bring it in line with the Re-cast Directive, but, following consultation with legal experts in UNITE, these have been put on hold, as concerns about some of the proposed changes were expressed by the worker members at the annual meeting in 2011. These revisions are still under negotiations between the company management and the ECF.

With regard to the main issues discussed by the ECF, restructuring and its impact on jobs and the resulting redundancies is a constant issue. Another topic, which is a constant challenge for the ECF is outsourcing and also its impact on jobs. For example, in 2008 the company decided to transfer its service and support functions to AVIVA's global services centre in Bangalore, India, over three years, with the loss of up to 600 jobs. The union argued that this transfer would not work or make the operations of the company more efficient and, indeed, this seems to have been correct, as the outsourcing is now under review, with the possibility that the jobs will be 'repatriated'. The ECF is continually challenging management on corporate governance issues, such as this. However, measures to avoid redundancies and to minimise job losses, arising out of such decisions, is an issue for the industrial relations arena and are not dealt with through the ECF.

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<sup>54</sup> Interviews with Ed Thompson, EWC member, and John Gibson, Chairman of the UNITE AVIVA Committee

<sup>55</sup> See Representativeness of the European Social Partner Organisations-Insurance. Comparative study; Farrelly R Representativeness of the European Social Partner Organisations-Insurance.- the case of Ireland.. 2012. [www.eurofound.europa.eu/eiro/studies](http://www.eurofound.europa.eu/eiro/studies)

<sup>56</sup> France (2 members); Italy (1); Ireland (2); Poland (2); Spain (1); Russia (1); Turkey (1); and the UK (8)

A key overarching problem for the ECF is that decisions are announced without the ECF been informed, in breach of the Directive, UK legislation and the ECF Agreement. Management very often by-pass it, do not give sufficient information on company plans, strategies and policies which it should be provided with. The approach of management seems to be to undertake a minimalist 'tick-box' approach and there are concerns that there is a 'hidden agenda' to merge the Irish and British operations. So, on the whole, it is the view of the ECF members that it does not work as effectively as it could.

#### *AVIVA - the case of Ireland*

AVIVA Ireland doesn't have an information and consultation forum, but operates through the Negotiation Team, which consists of four UNITE members and the responsible union official from the UNITE Irish Region. The Team meets monthly with management and, by agreement, one meeting each quarter (four per year) is set aside for information and consultation. These meetings issue an agreed statement to all staff. Almost 70% of the staff in Ireland are members of UNITE (union membership in AVIVA UK is about 13%). The relationship with the management team in Ireland is good, but there are continuous problems with the corporate headquarters management in London.

There was general recognition of the substantial support provided by UNITE through training, such as on health and safety, shop steward programmes and negotiation skills. Also, the UNITE Legal Department supportive of the ECF with legal advice, when needed – for example, in the negotiations on the proposed changes to the existing ECF agreement. UNI-Finance and UNI-Youth (both affiliated to UNI-Europa) are also very supportive of the ECF members through various training programmes and summer schools.

### **PART III**

## **SOME GENERAL CONCLUSIONS AND A WAY FORWARD**

### *Conclusions*

1. In general, EU Directives and national legislation are the driving force behind implementation of the information and consultation rights across all the countries participating in this project. This influence applies to most of the companies covered by EU Directives and all the company case-studies included here. There are existing established structures for information and consultation, but priority is given to the role of trade union structures. Trade unions are either the sole workplace channel through which both collective bargaining and information and consultation rights are implemented (the most cases in Bulgaria, Ireland, UK, Cyprus) or are directly involved in the information and consultation systems (almost all the companies in Italy, partially in Bulgaria, Cyprus, Ireland). Double channels exist mainly in Croatia. The other dimension is that national systems of information and consultation either co-exist with trade union representation (with various level of integration between them) or do not exist at all (again with the exception of Croatia).

At the same time, there are existing established structures, referring to EWCs, in which worker representatives already participate. Trade unions are well represented in such structures, but compared to main workplace representation structures there are also cases where trade union representatives and even trade union members are not directly involved in the EWCs. This could be a result of the efforts of some MNC management teams to keep the *acquis communautaire* but without trade union representation. In practice, various forms of management approach towards industrial relations could exist alongside the promotion of EWCs: promotion of worker representation through trade unions and better integration of the practice of information and consultation and collective bargaining; a more ‘consultative’ approach, forcing the strong separation of collective bargaining from information and consultation practices; sophisticated avoidance of trade union representation and collective bargaining, with emphasis on information and consultation, especially through EWCs; sophisticated anti-union approaches using the information and consultation (again mainly EWCs) as a main channel to prevent organising the workforce; and many other hybrid approaches.

2. In most of the cases, the information and consultation bodies clearly offer trade unions a considerable opportunity to exert influence with management, but the current available evidence suggests that they are under-utilised (especially in the UK and Bulgaria). Both domestic and European-level information and consultation bodies focus more on information disclosure than on consultation. Consultation, if it occurs at all, is limited to narrow areas and may have to be requested by the employee representatives. However, there are varying patterns to the importance of the two levels of information and consultation. There was a view that EWCs worked better as a source of information than the local/national arrangements in some countries (Ireland, UK), although there were some concerns expressed about management control of information provided to the national information and consultation structures and also to the EWCs. However in some multinational companies, and especially in some of their subsidiaries, the role of both channels is comparatively equal or in some cases the national systems are working better. The main reason is that the local workers and employees are much more interested in the particular local issues, than in the issues of the other subsidiaries or of the MNCs as a whole.

3. There are many key issues of importance for employees that have come through the EWCs:

- group structure, and the economic and financial situation;
- outsourcing of functions and jobs;
- production changes;
- employment numbers;
- substantial restructuring and the impact on jobs;
- current situation and probable trends in employment;
- collective redundancies;
- training issues, learning and professional development;
- labour environment issues and health and safety at work;
- possible development of the business;
- strategic plans;
- organisational changes, mergers and acquisitions;
- equal opportunities and non-discrimination;
- issues of corporate social responsibility.

There are tendencies to include issues concerning sustainable development, motivation of staff, companies' codes of conduct, etc. However the priority of I&C in the surveyed companies is generally the improvement of decisions on labour and social issues, and secondly for issues concerning corporate governance, competitiveness and productivity (on which there is a larger information flow).

Employee representatives usually play a reactive rather than a proactive role. There is no evidence that the employee representatives on the bodies analysed regularly place their own items on the agenda or – still less – develop their own alternative policies towards, for example, closures and redundancies. This concerns the EWCs even more than the national I&C bodies.

4. Additionally, despite the fact that there is a solid definition of both 'consultation' and 'information' in the Recast EWC Directive, there are different approaches, interpretations and practices among different enterprises, between employees and employers, and even between trade unions, as well as between trade unions and employees. Employers and managers express various approaches, depending on the countries in which the subsidiaries are located and also depending on the countries of origin of the MNCs. There is a rather positive approach by employers towards the existence and proper functioning of EWCs in Cyprus for example, but also clear employer disengagement in the UK. In most of the MNC subsidiaries where there are well developed industrial relations and good information and consultation practices, the impact of corporate culture is substantial – for instance in many cases the election of Bulgarian representatives to EWCs has taken place with the active assistance of the EWCs themselves, European federations and the MNC home countries, but often the initiative also comes from the central management bodies of the companies concerned.

5. There are also both various trends and similarities in trade union engagement in the process of information and consultation and in the work of EWCs in particular. There is a long-standing tradition of trade union and representation structures at the workplace complementing and supporting the whole process in a promising way (Cyprus, Italy). Engagement is comparatively average in Croatia, tends to be average to low in Ireland and

Bulgaria (with even some resistance to the new structures) and comparatively low in the UK (also with some resistance). In almost all countries the trade unions prefer either to control the function of information and consultation or at least to be well integrated into them and to have substantial influence on the process. Usually the trade unions see rights of information and consultation primarily as an instrument for ensuring respect for workers' rights contained in other legal documents. This applies even to countries like Croatia, notwithstanding the fact that information and consultation rights in this country go beyond the EU standards, and an entire section of the Labour Code is even entitled 'workers' co-determination'.

6. Although neither most of the employers, nor most of the trade unions, are strongly involved in the process of information and consultation through EWCs, some of the conclusions, based on the collected information, demonstrate that there are certain benefits that flow from such processes for a number of companies. These consist of:

- strengthening of social dialogue;
- company-wide vehicle for transparent, timely and steady information;
- improvement of the employees' understanding of the reasons behind management decisions at group level;
- diffusion of the culture of social dialogue within the top levels of management;
- innovation and change, based on mutual understanding and cooperation;
- development of a European culture.

While the information and consultation rights and procedures were assessed as relatively useful instruments, in general they are not seen as a tool for productive discussions between management and worker representatives to find new solutions in fields such as productivity and competitiveness, beneficial for both the workers and the company, nor as an instrument which would ensure a higher level of workers' rights than those granted by applicable legal documents.

7. There are also several main trends in the development of information and consultation, especially regarding EWC practices.

*First*, in some companies the processes of information and consultation are relatively well developed, and are integrated into industrial relations in the companies/subsidiaries; the trade unions are also well integrated into the I&C structures, at both national and EWC levels.

*Second*, we can outline the isolation of trade unions (to a varying extent) owing to low trade union densities and to the anti-trade union behaviour of employers (whether hidden or more obvious) through their disregard of industrial relations and their search for mechanisms for informing employees without the participation of the trade unions.

*Third*, we can observe the development of such processes in union-free environments. As far as I&C practices exist in non-unionised enterprises, in most cases they are due to an initiative on the part of employers who can consequently manipulate the process. I&C procedures are developed in accordance with the influence of trade unions or do not exist at all. Such trends could be noted not only in the new member states like Bulgaria, but also in countries like Ireland and the UK.

8. Some problems, concerning the content and the organisation of the process of information and consultation, appear in the context of the case studies and the other information collected.

*First*, the lack of employees' interest is quite evident, especially with respect to seriously fulfilling their role as worker representatives at the EWCs. Employees are more interested in issues related directly to their workplace. The ongoing financial crisis drives employees away from such structures and increases mistrust towards the unions.

*Second*, information and consultation rights are not well known or understood among the public, or even among most workers and employers.

*Third*, on the whole, while newly elected members of EWCs do receive some general training from national trade unions and from the European trade union sectoral federations, they are left to develop their own expertise with regard to operating at the EU level. In all cases the trade union representatives, who are EWCs members and members of national I&C bodies, are in a better situation, as they have access to much greater expertise.

*Fourth*, in most countries EWCs decisions have no influence (or very limited in some occasions) on national collective agreements, especially in Cyprus, Bulgaria and the UK. The situation is much better in Italy, where the structures for collective bargaining and for information and consultation in subsidiaries, which usually supervise the EWCs members, are identical.

*Fifth*, the link between the EWCs and any national information and consultation arrangements, or with the workforce, has, up until now, been very much up to the individual EWC member to organise. It also depends on the whole process of the I&C, but the role of the individual representatives is decisive. Usually relations are much better in the undertakings where there are trade unions and where the trade unions are stronger. In some of subsidiaries where there either are no trade unions or they are too weak, the national level of I&C could also be weak and the relations between national and EU-level might not exist at all.

*Sixth*, there are some restrictions in freedom of expression, arising from fears of management reaction (Cyprus, Bulgaria, Croatia). Such fears are also provoked by the interpretation of the provisions for the confidentiality of information, inserted into all the I&C Directives, and by the mechanisms for their implementation at national level. In some cases employers insist more strongly than necessary on observance of the provisions for the confidentiality of information, which could totally frustrate the implementation of the rights of worker representation and the dissemination of information.

*A way forward?*

Not unexpectedly, all worker representatives interviewed expressed the view that the only way to make information and consultation rights more beneficial to the workers, and ensure a higher level of worker involvement, would be by extending their scope, i.e. extending the list of issues on which the employer is obliged to inform or consult with the worker representatives.

This depends very much on the management side and especially on the level of their understanding the importance of the I&C process and on their style and views concerning

worker rights. However, they should be persuaded to do so, both in the interests of company results and of the need to change their culture and style of relations towards worker rights.

The other strategy should be to improve preparation of the worker representatives, especially of those who are not trade union representatives/ members or who represent workers from a union-free environment. The process of I&C should be strongly popularised among the employees and employers as a whole as well as among other social groups. This is a task not only for the social partners (national and EU-level trade unions and employers' associations) but also for governments.

National and sectoral trade unions should take an active stance towards the EWCs, and actively engage in the process of inclusion and election of national EWC members. Otherwise, they could easily see this instrument being manipulated by local management, as already witnessed by a number of reported cases where human resource officers, appointed by the management, are sent to participate in the work of the EWC as national representatives, especially from the central and east European countries.

Finally, some changes are needed in the relevant directives, especially concerning the mechanisms for implementing I&C rights. Here the mechanisms for providing information, the content of 'confidentiality' clauses and the mechanisms for electing EWC members, amongst other issues, could all be improved. However, the role of government institutions in the supervision and control of the process should be also increased, especially in the cases where there either are no trade unions, or they are weak.

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