

Bob Hancké

Wissenschaftszentrum Berlin, GERMANY

European Works Councils and Industrial Restructuring in the European Motor Industry

ABSTRACT ■ This article discusses the role of European Works Councils (EWCs) in industrial restructuring in the European car industry. It reviews a series of recent company agreements on local employment and investment guarantees, and concludes that the industrial relations system in the industry is increasingly marked by competition between establishments over wages and secondary working conditions. In order to explain why EWCs have been unable to counter this development, the article draws on a survey which indicates that, in the new competitive regime in the industry, EWCs are used by local trade unionists primarily as a means to further local interests.

Introduction

Despite profound restructuring since the early 1990s and record profits in recent years, the European car industry remains a sector in crisis: this is the unanimous verdict of the business press on every occasion of a management shake-up, company restructuring, plant closure, merger or takeover. The reasons are structural: European markets have reached a level of saturation comparable to that in the USA since the mid-1970s, and the industry is therefore preparing for a zero-growth replacement market (Analyse Auto, 1997). In spite of the structural weakness of demand, however, car manufacturers have persisted in increasing their production capacity. Since most cars made in Europe are sold there, the result has been an estimated excess capacity of the order of 25–30 percent (*Wirtschaftswoche*, 19 June 1997).

There will be no easy solution to this problem. Instead of rationalizing their product strategies, most producers have continued to increase capacity, especially in the recent boom phase, with some governments supporting their national industries with subsidies and new car premia. Such short-term counter-cyclical measures, however, will not resolve the structural crisis. Moreover the restrictive macroeconomic regime associated

with the introduction of the Euro is likely to perpetuate the current depressed demand; and since cities and the road infrastructure are increasingly incapable of handling the traffic volume, car ownership is stagnating for social reasons as well. In parts of the world where markets are expanding, manufacturers have set up local operations at much lower costs than in any European plant. Additionally, because every producer is in more or less the same situation, the increased search for cost competitiveness to secure market share continues to drive up labour productivity and thus creates ever more excess capacity.

Against this background of structural crisis and in large part propelled by it, industrial relations in the sector have undergone important changes in the last decade. All companies have been forced to pursue cost competitiveness, in large measure through the generalized introduction of lean production techniques. This is true even of Sweden and Germany, until the last crisis stable bulwarks of a high-quality strategy based on production for relatively price-inelastic market segments (Dankbaar, 1994; Freyssenet et al., 1998; Jürgens et al., 1993; Hancké, 1997; Streeck, 1989, 1996). Since most car producers are highly internationalized, with production sites spread over the entire European continent, this search for cost competitiveness has increased inter-plant competition within and across countries, and this competition is increasingly fought over labour costs and working conditions. A long era when labour relations were primarily means to take wages and working conditions out of competition has been transformed by the emphasis on cost reduction.

This article evaluates the role of industrial relations institutions in the new competitive regime through a detailed analysis of labour relations in the industry and the role of European Works Councils (EWCs). While most analyses understand these as vehicles of international trade union solidarity, and therefore evaluate their influence in that light, this article is considerably more pessimistic. Despite the need for international labour cooperation to control competition over wages and working conditions, local trade unionists appear to be using the EWCs as instruments to further their local interests. The result is that EWCs, originally conceived as bulwarks against social dumping, are increasingly becoming vehicles for international labour regime competition.

The car industry is more than just one sector among many. It combines several characteristics which in theory make it an extremely favourable setting to examine the influence of EWCs on industrial restructuring. It is highly internationalized, in terms of both markets and production, and organizational innovations in one plant or company have important direct and indirect effects on other plants – increasingly without regard for national borders. The recession of the 1990s has heralded a dramatic restructuring of the sector, with significant consequences for industrial relations and employment. EWCs in the industry, in contrast to some

other sectors, are union-dominated: the preambles to many agreements explicitly state that EWC members have to be trade unionists, while in most other cases this is implicit. Finally, EWCs existed in many companies before the 1994 Directive was adopted, thus unions and companies can look back on a longer experience than elsewhere. In short, given this favourable context, an analysis of the role of EWCs in the car industry provides a window into the theoretical possibilities that unions have in other, often less propitious settings.

In the following discussion I will start with a short survey of the main perspectives on EWCs in the literature. The subsequent section presents empirical material on the new labour relations regime, with a focus on new plant-level collective agreements that aim at securing local employment and investment. Next I address issues raised by that new material, using the results of a survey of unionized EWC members in the European car industry. The final section integrates these findings and concludes by discussing the broader implications of the study.

EWCs and Industrial Restructuring

Most analyses of EWCs start from the experience of such European models of workers' representation as the German *Betriebsrat* or the French *comité d'entreprise*. While there are significant differences between these two models, the institutional arrangements in continental Europe (in contrast to Anglo-Saxon models) share the promise, and in many instances also the reality of constructive, forward-looking interaction between labour and management. The idea underlying the long debate that led to the 1994 Directive was to transfer this capacity to the transnational, European level.

For one group of observers the EWC therefore complements and completes the existing national institutional arrangements (both the strong German versions and the weaker ones found elsewhere in Europe). By definition, national systems of workforce representation stop at the borders, which makes transnational coordination both difficult and expensive. The framework for international cooperation provided by EWCs therefore allows for an upward extension of the types of rights found in national systems. Functionalist optimism does not blind analysts to the problems of EWCs: however, these difficulties are seen primarily as growing pains, and consequently evaluations tend to suggest how to improve an already important existing institution (Dølvik, 1998; Lecher et al., 1998; Marginson and Sisson, 1996; Turner, 1996).

A second position is considerably more sceptical, and emphasizes the fundamental differences between works councils in the German mould and EWCs, as well as their position in a broader labour-hostile regime.

The difference between EWCs and *Betriebsräte* is important: in Germany works councils are staffed with workers' representatives only, and they have enforceable negotiation rights in company domains such as work organization and working time; whereas most EWCs follow the French model of joint management-labour institutions without such firm rights (Streeck and Vitols, 1996). Additionally, this relatively weaker structure is embedded in a general labour relations regime that gives organized labour less rather than more influence over company affairs (Streeck, 1998). The liberal bias in European integration has encouraged employers to favour regime competition, and as a result the European employers association UNICE lobbied (successfully, it seems) against the EWC Directive, which explains why the final text was much weaker than its predecessors.

A third position, finally, sees the EWC as the core of a new transnational microcorporatism. Economic integration in Europe, particularly the introduction of the Euro, has led to a fragmented labour relations system consisting of different national collective bargaining regimes without central coordination. Thus labour relations have simultaneously decentralized and internationalized; and as a result, EWCs run the risk of becoming protected islands of stable, favourable labour relations systems within a wider context of deregulation (Ross and Martin, 1998, 1999; Schulten, 1996).

While these three approaches may disagree profoundly in their assessments of EWCs, they share one important element: EWCs are uniquely or predominantly seen as trade union instruments. The first argument locates the EWC in an upward extension of national union rights, the second sees its shortcomings as a consequence of missed opportunities for union influence, and the third fears microcorporatism precisely because of the strength of unions in the EWCs.

Yet this labour-centred presupposition may be inaccurate. Even though all national and international unions take an active interest in EWCs, and despite the clamours of international solidarity that accompany these actions, EWCs are not used by the unions as an institution to push the labour agenda at the transnational corporate level.

The most benign interpretation of this failure is that unionists are still learning to deploy the resources embodied in the EWC, and that the situation will get better over time as they develop new and better ways to communicate. However, since cultural, language and organizational differences act as barriers to communication, this learning may take a long time to materialize into co-ordinated action. More importantly, perhaps, this interpretation neglects the broader structural background of a sector in crisis. As I argue later, the relative incapacity of EWCs in the European car industry to address these problems follows directly from the way they are embedded in a wider competitive regime which

emphasizes short-term local activities. Put differently, because of the way unions are engaged with them, EWCs are not the harbingers of a European industrial relations system, but a defensive instrument for local labour relations.

This contrasts sharply with the position of employers. Unlike the unions, employers seem to be actively constructing a European-level industrial relations system and rely on the EWC as a critical institutional vehicle for this. Managements of large multinational corporations increasingly regard the EWC as a forum for consulting workers' representatives on difficult issues of restructuring. These observations on management and unions suggest that EWCs, which were originally conceived as one of the mechanisms to prevent regime competition through social dumping, have, because of the different ways they are deployed by unions and management, become a crucial part of a new international labour relations system which is increasingly based on competition between different national and local regimes of labour relations.

This counterintuitive conclusion gains support from two empirical findings reported here. The first is that EWCs seem unable to stop competition on the basis of pay and working conditions in the industry. In fact, since the generalization of EWCs in the car industry between 1994 and 1996, relative wage levels (expressed as unit labour costs), working-time flexibility and work organization have become crucial elements in competition, both between different companies and among different plants within one company. While this could potentially lead to a convergence in union policies – structure and strategy of unions have always reflected the growth of the labour market in the past (Ulman, 1955) – such a process of international integration seems unlikely because of the lack of a supranational EU state which would encompass and supersede national labour relations systems (Streeck, 1998), which makes proactive coordination extremely difficult (Scharpf, 1999).

Second, unions and management appear to have very different expectations of EWCs. Whereas trade unionists use EWCs primarily as an extension of local (or national) industrial relations, management engages the EWC as a tool in industrial restructuring. For local unionists, the EWC is a mechanism to obtain information from management on company-wide investment and product market strategies and on working conditions in other plants. Management, by contrast, uses its agenda-setting power to organize EWC activities around strategic issues that have to do with broader restructuring, such as product development, marketing, capacity allocation or investment guarantees. The outcome of the interaction between these two profoundly different approaches to EWCs is that the Europeanization of industrial relations is taking place primarily on management's terms, within a generalized regime of competition over working conditions.

TABLE 1. Agreements Securing Production Location and Employment: Comparative Analysis

	Germany	United Kingdom	Spain	France	Belgium
Goals	link long-term competitiveness to employment security	deal with ad hoc crises Rover: new work organization	general collective agreements that cover an extension of production	increase working-time flexibility to adjust to fluctuating demand	increase working-time flexibility and experiment with new forms of work and supplier organization
Period	usually 1997–2000 Ford long-term	ad hoc	1997–2000	1997–2000	1997–1999/2000 Ford long-term
Actors	works council	local union officers	union sections	union sections	union sections, local union officers
Field of Application	German operations of the companies	plant-level; many are not included	Spanish operations of the companies	plant-level	plant-level
Contents	<ul style="list-style-type: none">• no layoffs• early retirement• career planning and training• smaller wage increases• investment	<ul style="list-style-type: none">• general support for productivity drives• smaller wage increases• work reorganization	<ul style="list-style-type: none">• extension of production time, including Saturday and Sunday work• new hires• wage increases	<ul style="list-style-type: none">• employment guarantees• working-time reduction and flexibility	<ul style="list-style-type: none">• working-time reduction and flexibility• early retirement• out- and in-sourcing• investment commitments
General evaluation	anticipating possible relocation problems, unions use the German model of labour relations to influence the effects of management decisions	agreements deal with specific crises, and are negotiated at a decentralized level	no crisis anticipated; instead an extension of production is planned	reflects both concern for employment guarantees and a competitive bidding process to secure production of new models	attempts to safeguard production volume by concessions on working time and work organization

Competitive Labour Relations in the Car Industry

Since 1996 the European motor industry has seen the emergence of a new form of collective agreement, combining concessions from trade unions on issues such as working-time flexibility, work organization and wages, with medium-term employment guarantees from management.¹ These new-style agreements, which are formally designated in Germany as *Standortsicherungsvereinbarungen* (literally, agreements to secure production location) follow the massive recourse to redundancies and early retirement measures in the 1980s and early 1990s, and are provisionally the last stage in the workforce adjustment process that addressed the crisis of the early years of this decade. Their origins can be traced to the famous Volkswagen agreement of 1993, when in order to save 30,000 threatened jobs, the union (*IG Metall*) agreed to working-time reductions linked to wage concessions (Hartz, 1994). This was followed in 1995 by the acceptance of flexible production schedules that adapted working time more closely to fluctuations in demand.

Very shortly thereafter, this trade-off between working time organization and employment security was introduced in negotiations in other companies and unofficially elevated to a national strategy by *IG Metall*. In 1997, when the extent of surplus capacity in the European motor industry and the potentially devastating effects on employment had become obvious, negotiations over employment guarantees started in all German car companies. By mid-1998, similar demands were included in plant-level bargaining rounds in other countries (Spain, Belgium, and the UK) where German car companies were located.

Below we analyse these agreements in two sections. The first provides a short comparative analysis of such agreements in each of the countries. The second explores this competitive dynamic in two multinational car companies, Opel and Renault. These two cases are used to demonstrate how the agreements in one country or plant affected the others, thus forcing all to negotiate similar concessions, and ultimately destroyed the initial advantages that individual unions had secured.

Industrial Restructuring and the Internationalization of Labour Relations

Though Germany is the only country where formal agreements securing employment and production location have been explicitly negotiated, similar deals have been concluded in most other countries, either in response to the German initiatives, as special agreements to address changes in working time legislation, or as a part of regular collective bargaining rounds. Table 1 presents the central characteristics of these new agreements in the five main car-producing countries in Europe: Germany,

France, Spain, the UK and Belgium (only Sweden, where no such agreements were concluded until 1998, is excluded).

Formally, the agreements reflect the different institutional contexts where they were concluded. German agreements, for example, are negotiated between management and works councils, systematically treat all the plants of each company in the country, and also discuss training, retraining and career planning as well as investment guarantees. The French agreements, on the other hand, are concluded with the individual union sections in the plants and are limited to a simple trade-off between employment guarantees and working-time flexibility.

The negotiations address different underlying problems in the different countries. German and Belgian agreements, for example, are attempts to pre-empt a possible relocation of production to lower-cost countries, while the British agreements are ad hoc responses to specific crises, such as the threat of closing the Vauxhall Luton plant in March 1998. The French agreements, in turn, reflect the weakness of the unions in that country, divided both between confederations and plants, and the ability of employers to impose unilateral adjustments in working conditions within the confines of the law. Finally, the agreements in Spain, in marked contrast to the other countries, reflect a future expansion of production capacity.

In part as a result of the different functions of these agreements in each country, there is very little transnational coordination: Spanish unions have used recent agreements primarily to consolidate an already relatively advantageous competitive position. Yet precisely this absence of transnational coordination leads to a situation where all unions become engaged in one competitive struggle. This practice of competitive whipsawing, already well-known from the US car industry in the 1980s (Katz, 1985, 1992; Kochan et al., 1986) but now also present in Europe, constitutes a central theme of the company-level analysis which follows.

The Dynamics of Competitive Industrial Relations

Below we analyse recent agreements in two companies, GM Europe and Renault. In contrast to the previous section, which provided a static comparative perspective, this section locates industrial relations developments in a broader context of corporate restructuring, including increased inter-plant competition and competitive benchmarking.

GM Europe has assembly plants in several European countries: Germany, where roughly 44,000 workers are employed in four plants, the UK, with 9000 workers in two plants, Spain, where 9100 workers are employed in one plant, and Belgium, with 8000 workers in one plant. Since the early 1990s, the company has sought to modernize its European operations, and has adopted the strategy of experimenting in different areas in single plants and then generalizing the results from these experiments. In

the late 1980s, for example, a then revolutionary working-time agreement was negotiated in Antwerp, including 10-hour shifts, which then became a benchmark for arrangements in other plants. And after the fall of the Berlin wall, the Eisenach plant in eastern Germany, built in 1991, rapidly became a laboratory for new models of work organization (Casper, 1997). Since 1996, this approach to the optimization of production was formalized and generalized through the *Template* project, which aims to reproduce best practice in production, work organization and even architecture across all plants. This competitive benchmarking provides the background to the agreements that were negotiated in GM Europe plants in 1997 and 1998. This explains why, despite the sometimes profoundly different union structures and bargaining traditions in the different countries, the agreements share many features.²

The agreements in Opel Germany and Belgium were concluded in January and March 1998, and both secured employment, investment and production for the next five years. They also included a commitment by management to the existence of the plants well beyond 2003 by planning the production of a new car in these countries. In exchange, the works councils and unions in both countries agreed to an increase in working-time flexibility, support for productivity drives, and wage increases below the industry average. Layoffs are to be avoided during the period of the contract by means of voluntary early retirement, part-time work and a re-evaluation of out- and in-sourcing.

The implications for other GM Europe plants were dramatic. One day after the agreement in Belgium was concluded, concern was voiced over the survival of the Vauxhall plant in Luton. GM management maintained that production costs were 30 percent higher than on the continent, despite lower wage levels in the UK. Two reasons were given: lower productivity and the unfavourable Sterling exchange rate. After a critical few days, unions and management agreed that the threatened closure of the plant could be forestalled if production costs fell to the level of the German and Belgian plants. Moreover, both expected a shift in the UK government's exchange rate policy, which would have contributed to the increased competitiveness of the plant. The union therefore agreed to participate in a programme to reorganize production in order to raise productivity by 30 percent. Since Vauxhall wages were already relatively low, wage cuts were not discussed, and working-time flexibility was already on a par with arrangements in the other countries (*Daily Mail*, 20 March 1998; *Guardian*, 20 March 1998; Eller-Braatz and Klebe, 1998).

In Spain, Opel also negotiated, as part of the regular two-year collective bargaining round, an extension of machine time through working-time flexibility, including Saturday work. Management and the union agreed to joint monitoring of new investment projects to secure the long-term survival of the plant.

TABLE 2. Agreements Securing Employment and Production in GM Europe

	Opel Germany	Opel Belgium	Vauxhall	Opel Spain
Goal	secure employment and investment for 4 years	secure employment and investment over 5 years	secure employment for 6 years	part of regular collective bargaining rounds
Date	January 1998	March 1998	Spring 1998	Spring 1998
Period	1998–2002	1998–2002	1998–2001	1998–2000
Actors	Group Works Council	plant-level union delegates and local union officers	local union officers	trade unions: CCOO/UGT
Number of workers	ca. 44,000 in 4 plants	ca. 8000 in 1 plant	ca. 9000 in 2 plants	ca. 9100 in 1 plant
Measures	<ul style="list-style-type: none">• no layoffs• investment commitments• working-time flexibility• early retirement• sourcing• productivity drive• wage reductions	<ul style="list-style-type: none">• no layoffs• investment commitments• working-time flexibility• early retirement• sourcing• productivity drive	<ul style="list-style-type: none">• working-time flexibility and corridor system• commitment to support productivity drive (+30%)	<ul style="list-style-type: none">• machine-time extension• wage increases• union follow-up of investment plans

As a result of these different negotiations, Opel plants in different countries are slowly converging on the same principles of work organization (teamworking) (Ortiz, 1999) and working-time schedules (hours corridors). In all plants, unions are engaged in productivity drives, and in exchange discuss and obtain commitments for future investment. Details of the different GM agreements are presented in Table 2.

The competitive dynamic underlying the process explains this convergence. Management would start by singling out one plant as a pilot bargaining arena for changes in working time or work organization. The agreement concluded in this 'most favourable' setting (for management) was then, in the next round, presented to every other plant in the company as a minimum standard. These other plants had no alternative but to follow suit, since they might otherwise find themselves in an unfavourable position in the next round of model planning.

In Renault, management may not have explicitly adopted a competitive benchmarking strategy, but the dynamic that plays off one plant against another was as important as in GM Europe; this time with the closure of one of the plants as a consequence. Since the onset of the crisis in the car industry in 1992, Renault has pursued an aggressive restructuring programme. This originated in an earlier period, the early 1980s, when the company was forced to deal with a financial crisis and virtual bankruptcy.³ In response to that crisis, the company adopted two broad reorganization strategies: the first was a consistent search for a lower break-even point, through massive workforce cuts and increased outsourcing; the second consisted of an aggressive new model line-up, which managed to exploit simultaneously the cost advantages of mass production and the rents associated with niche markets (Freyssenet, 1998).

These two strategies became the basis for the adjustment of the mid-1990s, when management adopted a plan to restructure production over different plants. Gradually, Renault production in France and abroad was turned into a network of single-model plants, which allowed for a more predictable amortization of investment costs.⁴ The agreements signed in the Renault group since 1992 have to be seen in the context of this broad management strategy. Increasing working-time flexibility, a central element in all agreements, has become a necessity because plants operate at close to full capacity with two fixed shifts; variation in demand can therefore only be met by extending daily and weekly working time. As a result, working time as well as many other areas of labour relations have become critical decision parameters for investment planning.

The Renault agreements illustrate how this competition between plants unfolded and ultimately led to the dramatic closure of the Vilvoorde plant in Belgium in 1997. Vilvoorde was the first plant to discuss a reorganization of working time: in 1993, an agreement was negotiated

TABLE 3. Agreements Securing Employment and Production in Renault

	Flins	Douai	Sandouville	Cléon	FASA (E)	RIB (B)
Goal	Working-time flexibility to deal with fluctuation in demand, explicit inter-plant competition	Working-time flexibility to deal with fluctuation in demand, explicit inter-plant competition	Working-time flexibility to deal with fluctuation in demand, explicit inter-plant competition	Working-time flexibility to deal with fluctuation in demand, explicit inter-plant competition	Secure investment, working-time flexibility to increase machine time and production volume	Working-time flexibility to secure employment plus investment guarantees
Date	(1992) 1996	(1992) 1997	1996	1996	1998	(1993) 1998
Period	1997–2000	16 months, renewable	1996–7	open	1997–2000	1993 – open
Actors	CFTC, CGC, FO	CFDT, CGC, FO	CFTC, CGC, FO	CFTC, CGC, FO	CCOO, UGT	CCMB, CMB
Workers covered	7500	5500	6500	4700	12,500 over 3 plants	3400
Measures	<ul style="list-style-type: none"> • third shift in peak periods • working-time flexibility through working-time accounts • working-time reduction • new hires 	<ul style="list-style-type: none"> • third shift in peak periods • Saturday work • special weekend shifts (24 or 26–30 hours) • working-time accounts • working-time reduction • new hires 	<ul style="list-style-type: none"> • third shift in peak periods • 45–6 hour weekly working time in peak periods, over 6 days • working-time accounts • new hires 	<ul style="list-style-type: none"> • special weekend shifts (24 hours) • working-time accounts 	<ul style="list-style-type: none"> • Saturday work • wage increases • new hires • increase in production volume 	<ul style="list-style-type: none"> • working-time flexibility (9 hour day; 35–45 hour week; 3–5 days per week; 13–21 days per month) • no layoffs • investment guarantees

which allowed work schedules of 9 hours per day, 35 to 45 hours per week, spread over 3 to 5 working days, and a floor of 13 and ceiling of 21 days per month.

In response to this initial agreement, other plants were forced to follow. Even though the agreements concluded in France did not adopt the wide-ranging flexibility then found in the Belgian factory, they accepted the principle of adapting working time to demand fluctuations. In the same period, the Spanish Renault plants also began experimenting with new working-time patterns. As a result, by 1996, almost all assembly plants in the Renault group were operating on a flexible time schedule. Table 3 lists the most important elements of the current agreements.

In 1996 and 1997 these developments took a tragic turn, when Renault announced the almost simultaneous closure of two (well-performing) plants in Portugal and in Belgium and a redundancy plan in France to reduce the total workforce, both blue and white collar, by another 15,000, spread over five years. Against the background of these brutal decisions, Renault management negotiated new working-time agreements in all its French plants; many issues that until then had been problematic in the discussions with trade unions, such as a third night shift, special weekend shifts and the generalization of working time accounts, were grudgingly accepted by the unions in all local plants in order to safeguard their current and future production volume and employment.

Curbing Competition through Collective Agreements?

Since most of these employment guarantee accords have been concluded very recently, their actual short- as well as long-term effects are difficult to evaluate. On the whole, they seem to be relatively effective in achieving their stated goals of stabilizing employment levels in the short run. All texts guarantee the employment level at the time of the agreement for the duration of the contract, and some even raise the possibility of new recruitment. Moreover, the texts stipulate that possible workforce reductions will be dealt with through 'social plans' including early retirement programmes.

Yet, as the dramatic closure of the Renault plant in Belgium in 1997 and to a lesser extent the crisis over the Vauxhall Luton plant in 1998 suggest, the agreements are unable to solve the broader employment problem related to excess capacity. In both cases, management reached its decision in the context of negotiations that secured employment in other plants. And in these cases the plants with the strongest national institutions (often meaning the unions and works councils in the mother plants or headquarters) exercised considerable control over that process (Lecher and Rüb, 1999).

All agreements are management-driven, and through them unions

therefore primarily react to or anticipate future management decisions. However, this also makes them tools to reorganize companies according to management expectations; or more precisely, their effects are contingent on the strength of national institutions or reflect the 'national' concerns of management. This situation, then, is likely to lead to a process whereby agreements reached in one plant are progressively undercut elsewhere. Even the strong German union and works council at Opel, it is useful to note, were forced to accept increased working-time flexibility and wage moderation in exchange for investment guarantees over the next five years. This indicates the limits to the mitigating influence of the national institutional setting.

This competitive underbidding is clearly the most problematic aspect of the agreements: as long as only one plant has an advantage in management's eyes, its future may be relatively secure. When, however, the measures in these agreements are generalized across all European operations and thus turn into new minimum standards, the competitive advantage has disappeared and only a new negotiating round, involving more concessions, will then be able to secure the plant's future.

Coordination of demands among unions, which should be relatively easy to achieve in the highly unionized car industry, could in principle prevent this; and the EWC could be the place for union delegates from different plants to reach agreement over minimum standards for pay and working conditions. As the analysis earlier suggests, such coordination rarely occurs: agreements follow national patterns, reflecting national industrial relations institutions and national substantive preoccupations. The European Metalworkers' Federation (EMF) has indeed recognized this problem, establishing commissions to promote coordination between its member unions over collective bargaining on working time and other employment conditions, and also (since the end of 1998) on wages (*Financial Times*, 6 November 1998).

Why have EWCs, despite the favourable setting in the car industry, proved unable to provide a regulatory framework for the increasingly transnational labour relations systems? To answer this question requires a closer look at how EWCs operate. As is argued in the next section, the main obstacles are located in the EWCs themselves; they fail to coordinate trade union action because they are simply not used for that by the unions themselves. The main reason for this failure is that such arrangements almost always entail classic collective action problems. Since each individual plant has a strong incentive to undercut the agreement concluded by the others, the arrangement is inherently unstable, and all forego the benefits of coordination. In practice, local unions in the different countries therefore use the EWC as a means to further their individual interests in securing employment rather than as a forum for international cooperation.

EWCs and Industrial Restructuring

Article 13 of the EWC Directive provides exemption from its detailed provisions for companies which already had in place arrangements for transnational information and consultation before the September 1996 deadline. Before this date, every European car manufacturer had negotiated such an arrangement. The preamble to each of these company agreements illustrates the ambiguity of the institution. Each states that the goals of the EWC are the pursuit of international competitiveness, flexibility, productivity and quality (Schulten, 1996); conversely, and equally significantly, in almost all agreements the main domains of local or national collective bargaining – wages and working conditions – are explicitly excluded from the EWC agenda.

In the past, communication between local unions in multinational companies was difficult to achieve because of the prohibitive costs. With the existence of EWCs it has now become the norm, in part because it is subsidized by the multinational companies. One effect has been that the information available to subsidiaries and plants of a company has become more standardized and centrally coordinated, since all unions now have better access to information previously only available at headquarters level and can negotiate locally on that basis (Turner, 1996).

The data that follow are the results of a survey distributed at a conference on EWCs organized in February 1998 by the EMF. The 8-page questionnaire was translated into six languages (English, German, French, Italian, Spanish and Dutch) and distributed among those conference participants who were also EWC members. The maximum possible response would have been slightly over 100 (the total number of union-side EWC members in all the car companies); 64 responses were received. These covered all the car manufacturers with locations in Europe. Table 4 gives basic data for all EWCs included in the survey.

For the union delegates the most important function of the EWC is the dissemination of information; a third of the respondents cited this as a means of obtaining knowledge of corporate strategy that would be very hard to obtain otherwise. Support in organizing or coordinating union action, or helping them define bargaining objectives in their plant, was less important, cited by just under a quarter of respondents. In addition, when asked in what ways the EWC has improved their situation, almost two-thirds believed it had done so by providing for information exchange between plants in the same company.

The EWC Agenda

The topics that EWCs actually discuss are, however, rather different from those that trade unionists consider important. Table 5 lists the main items

TABLE 4. Basic Data for European Works Councils

	No. of scheduled meetings	Structure of EWC bureau	Special meetings	Agenda setting	Preparatory meeting	Language
BMW 'Euro-Forum'	1 Different locations	'Engerer Ausschuß' Employee only	EWC and management decide jointly	According to agreement management can agree to proposals of the EWC	Yes	German, translation provided (°)
Daimler Benz	1 Stuttgart	'Praesidium' Employee only	Ad hoc committees with management approval	Management informs EWC about themes	Yes	German, translation provided
Fiat	1 Different locations	'Executive Committee' Employee only	Executive Committee and management decide jointly	Executive Committee and management decide jointly	Yes	Italian, translation provided
Ford 'Ford EWC'	1 Cologne	'Select Committee' Employee only	FEWC and central management decide jointly	Select Committee and management decide jointly	Yes	English, translation provided
GM Europe 'The Forum'	1 (°) Different locations	'Steering Committee' Employee only	Steering Committee (°) members concerned and management decide jointly	Steering Committee and management decide jointly	Yes	English, translation provided
Honda 'European Communication and Consultation Group'	1 Different locations plus interim meetings at 'convenient time' (°)	Management appoints a chair and a coordinator	On request of minimum two countries or a European director	Jointly prepared during annual and interim meetings	Yes	English, translations and training provided

TABLE 4. Continued

	No. of scheduled meetings	Structure of EWC bureau	Special meetings	Agenda setting	Preparatory meeting	Language
PSA 'European Committee'	1 Paris	'Secretary' Joint-management- employee body	Mutual agreement (°)	Chairs and Secretary decide jointly	Yes (°)	French, translation provided
Renault	1 Paris	'Bureau' Employee only	Mutual agreement (°)	Secretary of Bureau and management decide jointly	Yes	French, translation provided
Toyota	1 Different locations	'Administrative Sub-Committee' Management included	Senior manager and president of Sub- Committee jointly or 1/2 of Sub-Committee	General manager of human resources	Yes	English, translation provided
Volvo 'Volvo Euro Dialogue' 'EWC'	1 Different locations	'Steering Committee' Management included	1 separate two-day meeting a year 'Working Group' shall have the right to prepare VED	Working Group Employee only	Yes	English, translation provided
VW 'Europäischer VW Konzernbetriebsrat'	1 Wolfsburg	'Praesidium' Employee only*	Ad hoc committees with management approval	Praesidium Employee only	Yes (°)	German, translation provided (°)

Source: the texts of the EWC agreements; missing information was completed with the use of the survey [marked with (°)].
 * VW's bureau is the only one which represents all countries.

TABLE 5. Themes on the EWC Agenda

Topic	<i>Important for Union Work (only 3 choices)</i>		<i>Actually on Agenda (Unlimited choice)</i>		<i>Should Be on Agenda (only 3 choices)</i>	
	<i>n</i>	<i>%</i>	<i>n</i>	<i>%</i>	<i>n</i>	<i>%</i>
<i>Conventional Quantitative Domain</i>						
	46	25.6	46	17.9	49	22.1
Employment	37	20.5	35	12.7	33	14.9
Wages and benefits	9	5.1	11	4.0	16	7.2
<i>Conventional Qualitative Domain</i>						
	51	28.3	62	22.6	64	28.8
Working-time	24	13.4	17	6.2	26	11.7
Training/retraining	17	9.5	31	11.3	27	12.2
Health and safety	10	5.5	14	5.1	11	5.0
<i>Conventional Strategic Domain</i>						
	43	23.9	76	27.7	46	20.7
Economic/financial	22	12.2	51	18.7	24	10.8
Sourcing/outsourcing	21	11.6	25	9.3	22	9.9
<i>Strategic Management Domain</i>						
	40	22.2	90	27.7	63	28.4
Product reorganization	19	10.5	37	13.6	27	12.1
Capacity allocation	17	9.5	29	10.3	22	9.9
Benchmarking	4	2.2	24	8.8	14	6.3
Total	180	100	274	100	222	100

on the EWC agenda from three different perspectives: the issues which the union representatives themselves consider *important* given the current situation of the car industry; the *actual* topics on the agenda; and the issues that should, according to the EWC members, receive *more attention*.

One general result stands out: about half the themes receive less attention in EWC meetings than the importance union delegates attach to them and vice versa. Employment and working-time arrangements are two obvious examples of issues considered crucial areas for union work but with limited attention in the EWC. Conversely, the EWC provides delegates with considerably more economic and financial information than many respondents consider important or necessary.

To examine systematically the distinction between what should be and what actually is discussed, the agenda items are grouped into four broad categories. The first encompasses *conventional quantitative* and the second

conventional qualitative issues, both including items central to the traditional collective bargaining agenda. The third and fourth categories, in contrast, involve more strategic aspects of company organization: economic and financial information and outsourcing decisions (which have frequently been included in the trade union agenda), and product market strategies and capacity allocation (which in the past have never been of central trade union concern, even though the latter has moved into a more central place recently because of its direct effects on employment).

Given the extent to which management controls or at least influences the agenda-setting,⁵ the distribution of the *actual* topics offers a reasonably accurate idea of management views of the role of the EWC in the company. The contrast with the priorities of the union representatives is significant. For the latter, the issues considered most important when dealing with industrial restructuring in the car industry today involve conventional trade union domains, reflecting national and (probably even more) local union concerns: 54 percent of the answers relate to the traditional (quantitative and qualitative) collective bargaining agenda.⁶ By contrast 61 percent of the themes *actually* discussed during EWC meetings concern strategic management issues.

Two conclusions follow from this analysis. First of all, the *actual* topics most often mentioned are those least cited as *important* for trade union work. Second, the issues that appear to dominate the agenda are relatively removed from traditional (national) union concerns, but at the same time also relate to the core of strategic management. The EWC, this suggests, is as much a pan-European HRM instrument for management, as it is an instrument of pan-European workers' representation. Yet while management includes the EWC in its HRM toolbox, trade unions seem unable to give the EWC a new, independent place in their repertoire of action.

Management and Labour: Two Views of EWCs

The core of the problem is relatively simple to state: for local trade unionists the EWC is primarily a means for obtaining information which can then be used in the individual home plants, often against the other plants in the company. Of the respondents, 64 percent agree that their EWC has been useful for local union work, primarily by providing information and thus helping to shape local demands. Similarly, when asked which activities were improved as a result of the existence of an EWC, 'information exchange' and 'local union work' accounted for the bulk of the answers (65 percent), while 'coordination among plants' – at least rhetorically a major reason for establishing EWCs – received merely 6 percent of the answers. These figures help understand the nature of the problem. The potential advantage of obtaining standardized information about other plants inside the company is not used by union representatives to build a

common strategy throughout the company, but to strengthen the position of their own plant in the implicit competition between plants.

This finding closes the circle opened in the first part of this article. The question posed after the analysis of the employment guarantee accords was why EWCs did not provide a regulatory framework to limit inter-plant competition over working conditions. The answer provided in this section is that the union representatives on the EWC do not see it as an institution to coordinate action across plants in different countries, but as an instrument to share information that can then be deployed in the home plant. Instead of combating competition over working conditions, the EWC has itself become one of the main institutional carriers of the new competitive regime in the European car industry. It is important to stress that this perverse use of EWCs is not enshrined in their constitution; through their actions, which themselves are perfectly rational from their local perspective, the union representatives have produced this effect, not the other way around.

Even in this pessimistic world, however, every cloud has a silver lining. Further analysis of the survey data suggests that experience with strategic issues teaches the EWC to appreciate their actual value for both local union and EWC work. Of those who were exposed to strategic information in EWC meetings, the vast majority (68 percent) also saw this type of strategic issue as central to the process of interest representation.⁷ Thus management's strategy of involving the EWC in decision-making structures may lead to a situation where its members start to use information on strategic issues in a cooperative way.

But this is not the entire story: in contrast to the unions, management seems to be constructing the EWC as a means of marshalling support for restructuring plans by aggressively promoting discussion of strategic management issues – which, it should be noted, frequently fall outside the reach of national industrial relations systems that concentrate on core 'economistic' issues – and by presenting painful decisions as the logical outcome of the data presented at the EWC meetings.

Conclusion: EWCs and Industrial Restructuring

Since the early 1990s the European motor industry has been marked by a combination of a structural overproduction crisis with extremely negative employment effects, and (in large part as a result) the rapid growth of a transnational labour relations regime. This new industrial relations model is constructed around competitiveness (Streeck, 1998), which has increasingly come to imply competition over wages and working conditions: labour costs, work organization and working-time flexibility. Alongside the emergence of this transnational competitive labour relations regime, a

new institution was introduced that, in principle at least, was designed to bring such developments under the control of trade unionists: the EWC. By 1996, all companies in the European car industry had installed one.

Despite the initial optimism, however, EWCs seem unable to halt competition over working conditions. In fact, judging from the agreements negotiated to secure local employment guarantees, competition between plants has actually increased since 1996. EWCs have failed to become a pan-European vehicle for trade union coordination, as optimists had hoped, precisely when this was most needed. (Nor, given this lack of coordination, have EWCs become vehicles of transnational microcorporatism.) The explanation of this puzzle appears to lie in the way EWCs have interacted with local trade union work in a sector in structural crisis. None of the 'high' functions that informed the successive draft Directives prevails in the current day-to-day operations of EWCs. Union action, despite the critical situation in the sector, is (still) rarely coordinated by the EWC, fine-tuning of union demands is equally rare, and even minimum working-time or wage standards succumb as soon as management leans too heavily on local unions. Not only are EWCs relatively unimportant in building up international union strength; local trade unionists seem to use the EWCs to do the opposite: to obtain information that can be used in the competition for production capacity with other plants in the same company.

For management, by contrast, the EWC has become established as a novel autonomous European level in industrial relations. Through control of the agenda, including the capacity to reject items (see Eller-Braatz and Klebe, 1998 for the Opel case), management tries to ensure that new themes, which are all centrally related to the pursuit of competitiveness (itself one of the stated goals of the EWCs) inform its operation. In short, whereas trade unionists see the EWC as an upward extension of their local and national activities, management deploys it as a pan-European human resource institution to facilitate industrial restructuring. And as a result of the relative lack of interest by unions, this ongoing, and indeed accelerating Europeanization of industrial relations in the car industry is increasingly taking place on management's terms, with the EWCs as a critical part of that process.

The political implications of this analysis are clear: the future of EWCs lies to a large extent in the hands of the unions themselves. Many observers have come to the conclusion (seemingly confirmed by the Renault Vilvoorde case) that EWCs are intrinsically weak institutions, because they lack the strong rights associated with the German works council model (Rehfeldt, 1998; Streeck and Vitols, 1996). This implies that the answer to the current problems of EWCs would lie in strengthening their legal basis. While this is certainly worth pursuing, the analysis in this article suggests that the problem requires a fundamentally different solution, which builds

on strengthening the EWCs 'from within'. The data suggested that experience with strategic information in EWCs also led to more awareness of those same topics in local union and EWC work. Unions could build on this, but such a strategy implies, among other things, that union structures be reorganized so that the links between local branches, national unions and EWCs become stronger, while the division of labour between them is clarified.

What ultimately matters, therefore, is what the relevant actors make of the EWC. If managements have been able to turn what was conceived as a means to control them into a useful instrument to facilitate industrial restructuring, unions are at least in principle equally able to apply EWCs to their own ends. If European trade unionists become convinced of the necessity for mutual links and for coordination between their local agendas (which also requires that they realize the shortcomings of their current 'nationalist' competition) they may start to engage in EWCs on their own terms. The asymmetric Europeanization of labour relations documented in this article was the outcome of strategic choices by management; if the unions understand that, they may begin to render them more symmetric again.

ACKNOWLEDGEMENTS

For discussions and comments I wish to thank two anonymous referees, Isabelle Barthès, Elke Eller-Braatz, Helen Callaghan, Steve Casper, Nils-Åke Carlsson, Delphine Corteel, Aline Hoffmann, André Mach, Lello Raffo, Karin Schuller, Regan Scott, Johan Van Buylen and local trade unionists and works councillors in car plants all over Europe, as well as Jennifer Roth and Lutz Engelhardt for research assistance. The research for this article was funded in part by the EMF. The usual disclaimers apply.

NOTES

- 1 The material on Germany is based on an internal *IG Metall* document on these employment guarantee accords (on file with author); for developments in the other countries and for the analysis of the two company cases, I rely on the actual agreements (also on file with author) (see Hancké, 1998 for more details on the individual countries).
- 2 The information provided in this section was obtained through discussions with Opel unionists in different countries and with *IG Metall* staff.
- 3 The material on Renault comes from discussions with trade unionists in different countries and with the CFDT central headquarters at Billancourt (which is responsible for overseeing the activities of the EWC), as well as with CGT and management members of the EWC.
- 4 It is beyond the scope of this article to discuss the underlying economic

rationale in detail; a summary will therefore have to suffice. Multi-model plants allow for amortization across different segments and product life cycles and were therefore the standard in the classic mass production era. Since the early 1990s, however, companies are attempting to reduce investment costs substantially (made possible by increased outsourcing and low-tech work reorganization) so that – with a stable profit margin – the return on investment rises. Lower investment implies less complex equipment, which logically leads to the less complex single-model plant. Most new plants are scheduled to be written off after only two product cycles, in less than 10 years; previously the investment pay-back period often spanned several decades.

- 5 This does not mean that trade unionists cannot present or even impose agenda items, but this appears to occur primarily at times of crisis such as major company reorganization and plant closures (see Eller-Braatz and Klebe, 1998 for Opel and Rehfeldt, 1998 for Renault).
- 6 This finding confirms a study by Fulton (1995) of trade union meetings organized by the European Industry Federations; he found that comparisons of wages, pensions, employment practices and working conditions were the most important themes for the union delegates.
- 7 Additional analyses were run to test for the influence of country of origin of the company (the idea being that North European EWC members have more experience with information of a strategic nature), or the 'age' of the company or the EWC, but no systematic variation was found. The small size of the sample, which makes statistical analysis difficult, did not allow for an examination of other sources of variation.

REFERENCES

- Analyse Auto (1997) *Excess Capacity in the European Car Industry. Report Prepared for the European Commission*. Antwerp: Analyse Auto.
- Casper, S. (1997) 'Automobile Supplier Network Organization in East Germany: A Challenge to the German Model of Industrial Organization', *Industry and Innovation* 4(1): 97–113.
- Dankbaar, B. (1994) 'Sectoral Governance in the Automobile Industries of Germany, Great Britain, and France', in J.R. Hollingsworth, P.C. Schmitter and W. Streeck (eds) *Governing Capitalist Economies: Performance and Control of Economic Sectors*, pp. 156–82. New York: Oxford University Press.
- Dølvik, J.E. (1998) *Redrawing Boundaries of Solidarity? ETUC, Social Dialogue and Europeanization of Trade Unions in the 1990s*. Oslo: ARENA.
- Eller-Braatz, E. and Klebe, T. (1998) 'Benchmarking in der Automobilindustrie. Folgen für Betriebs- und Tarifpolitik am Beispiel General Motors Europe', *WSI-Mitteilungen* 51(7): 442–50.
- Freyssenet, M. (1998) 'Renault: From Diversified Mass Production to Innovative Flexible Production', in M. Freyssenet, A. Mair, K. Shimizu and G. Volpato (eds) *One Best Way? Trajectories and Industrial Models of the World's Automobile Producers*, pp. 365–94. Oxford: Oxford University Press.

- Freyssenet, M., Mair, A., Shimizu, K. and Volpato, G., eds (1998) *One Best Way? Trajectories and Industrial Models of the World's Automobile Producers*. Oxford: Oxford University Press.
- Fulton, L. (1995) 'Meetings on European Multinationals: The Experience So Far', *Transfer* 1(2): 229–44.
- Hancké, B. (1997) 'Vorsprung, aber nicht länger (nur) durch Technik. Die schnelle Anpassung der deutschen Automobilindustrie an neue internationale Wettbewerbsbedingungen', in F. Naschold, D. Soskice, B. Hancké and U. Jürgens (eds) *Ökonomische Leistungsfähigkeit und Institutionelle Innovation. Das deutsche Produktions- und Politikregime im globalen Wettbewerb: WZB-Jahrbuch 1997*, pp. 213–34. Berlin: Sigma.
- Hancké, B. (1998) 'Industrial Restructuring and Industrial Relations in the European Car Industry. Instruments and Strategies for Employment', Discussion Paper FS I 98–305. Berlin: WZB.
- Hartz, P. (1994) *Jeder Arbeitsplatz hat ein Gesicht. Die Volkswagen-Lösung*. Frankfurt: Campus.
- Jürgens, U., Malsch, T. and Dohse, K. (1993) *Breaking from Taylorism: Changing Forms of Work in the Automobile Industry*. Cambridge: Cambridge University Press.
- Katz, H. (1985) *Shifting Gears*. Cambridge: MIT Press.
- Katz, H. (1992) 'Recent Developments in US Auto Labor Relations', in S. Tolliday and J. Zeitlin (eds) *Between Fordism and Flexibility: The Automobile Industry and its Workers*, pp. 282–304. New York: Berg.
- Kochan, T.A., Katz, H.C. and McKersie, R.M. (1986) *The Transformation of American Industrial Relations*. New York: Basic Books.
- Lecher, W., Nagel, B. and Platzer, H.-W. (1998) *Die Konstituierung der Europäischen Betriebsräte: Vom Informationsforum zum Akteur?* Baden-Baden: Nomos.
- Lecher, W. and Rüb, S. (1999) 'The Constitution of European Works Councils: From Information Forum to Social Actor?', *European Journal of Industrial Relations* 5(1): 7–25.
- Marginson, P. and Sisson, K. (1996) 'Multinational Companies and the Future of Collective Bargaining: A Review of the Research Issues', *European Journal of Industrial Relations* 2(2): 173–97.
- Ortiz, L. (1999) 'Unions' Responses to Teamwork: Differences at National and Workplace Levels', *European Journal of Industrial Relations* 5(1): 49–69.
- Rehfeldt, U. (1998) 'Der Renault-Vilvoorde Konflikt und seine Bedeutung für die europäische Gewerkschaftspolitik', *WSI-Mitteilungen* 51(7): 450–9.
- Ross, G. and Martin, A. (1998) 'European Integration and the Europeanization of Labor', Working Paper No. 126. Madrid: Instituto Juan March de Estudios e Investigaciones.
- Ross, G. and Martin, A., eds (1999) *The Brave New World of European Labour*. Oxford: Berghahn.
- Scharpf, F. (1999) *Regieren in Europa. Effektiv und demokratisch?* Frankfurt: Campus.
- Schulten, T. (1996) 'European Works Councils: Prospects for a New System of European Industrial Relations', *European Journal of Industrial Relations* 2(3): 303–24.

- Streeck, W. (1989) 'Successful Adjustment to Turbulent Markets', in P.J. Katzenstein (ed.) *Industry and Politics in West Germany: Toward the Third Republic*, pp. 113–56. Ithaca: Cornell University Press.
- Streeck, W. (1996) 'Lean Production in the German Automobile Industry? A Test Case for Convergence Theory', in S. Berger and R. Dore (eds) *National Diversity and Global Capitalism*, pp. 138–70. Ithaca: Cornell University Press.
- Streeck, W. (1998) 'The Internationalization of Industrial Relations in Europe: Prospects and Problems', *Politics and Society* 26(4): 429–59.
- Streeck, W. and Vitols, S. (1996) 'The European Community: Between Mandatory Consultation and Voluntary Information', in J. Rogers and W. Streeck (eds) *Works Councils: Consultation, Representation and Co-operation in Industrial Relations*, pp. 243–81. Chicago: University of Chicago Press.
- Turner, L. (1996) 'The Europeanization of Labour: Structure before Action', *European Journal of Industrial Relations* 2(3): 325–44.
- Ulman, L. (1955) *The Rise of the National Trade Union: The Development and Significance of its Structure, Governing Institutions, and Economic Policies*. Cambridge: Harvard University Press.

BOB HANCKÉ is Research Fellow at the Wissenschaftszentrum Berlin für Sozialforschung.

ADDRESS: WZB, Reichpietschufer 50, 10785 Berlin, Germany. [email: hancke@medea.wz-berlin.de]