Disintegration, stagnation, activation – Changes in European works councils during the financial and economic crisis.

Markus Hertwig, Universität Duisburg-Essen, Institute for Work, Skills and Training (IAQ), Duisburg, Germany, markus.hertwig@uni-due.de

Valentina Mählmeyer, Wissenschaftszentrum Berlin (WZB), Berlin, Germany

Luitpold Rampeltshammer, Universität des Saarlandes, Saarbrücken, Germany

Abstract

The article compares the changes that occurred in the European works councils (EWCs) of the three automotive manufacturers Ford of Europe, General Motors Europe (GME) and Honda Motors Europe during the recent financial and economic crisis. While the EWCs of Ford and GME were highly active and effective before the crisis, the Honda EWC was symbolic, management dominated and overall ineffective. It is argued that the current crisis triggered management strategies which lead to an increased ‘organisational need’ for employee representatives to become active – in a way that considerably exceeded the impact and complexity of previous crisis situations within the companies. A theoretical model is used to gauge and explain the changes in the EWCs. Empirical evidence shows that the EWCs’ reactions to the crisis differ considerably. At GME and Ford, competition and mistrust among representatives increased resulting in a decline of integration and effectiveness. The Honda EWC, in contrast, showed a slight activation and improvement of employee representation, even though the basic character of the body remained the same. Explanations highlight the role of changes in actors’ perceptions and interest, cultural conditions and management power.

Keywords

European works councils; financial and economic crisis; automotive industry
1. Introduction

Studies on employee representation show that critical incidents like company crises are likely either to encourage the establishment of employee representation (i.e. trade union recognition or the election of works councils) or trigger activation of existing representational forms which until then had been rather inactive (for instance Katz and Kochan 2000). Crises, it has been argued, breed a growing need to organize, and under certain conditions employees recognize the potential of representational forms as vehicles to articulate their interests vis-à-vis management (for instance, Hertwig, et al. 2011; Müller, et al. 2004). With regard to cross-border employee representation, the case of General Motors Europe (GME) illustrates how a European works council (EWC) can become a powerful actor when facing management pressures and threats of relocation and redundancies (Banyuls, et al. 2008; Bartmann and Dehnen 2009).

The present article seeks to analyse how EWCs in automotive companies reacted to and changed in the current crisis. From the outset, there was the possibility of different scenarios: On the one hand, it was the chance for EWCs to become more active, as findings from previous research suggest. On the other hand, however, one might question whether EWCs were able to deal with the complexity of problems encountered at all as the recent crisis certainly differed from the previous ones. Concerning the automotive sector, the crisis threatened at least the low price segment of the industry, mostly in Western countries. Despite the scrappage schemes which in a number of European countries even raised the demand for small and middle-sized vehicles, stagnating (and over the last decade even decreasing) demand affected many companies. But in contrast to previous crisis the companies went through the current one not only posed pressures on individual production locations: it affected many facilities at once; moreover, business units like logistics, marketing and sales and sometimes even research and development (for instance, the closure of Toyota’s Formula One plant in Cologne) were concerned. Hence, while the strategies chosen by management when facing those conditions certainly created a strong need for EWCs to become active and get organized, it remains an open question in which way EWCs have developed and whether they were able to cope with the challenges.

In the following, we present and compare three case studies of how EWCs at Ford, GME, and Honda changed during the crisis. These EWCs are well-suited for our study as, from the outset, they differ considerably concerning basic characteristics and context conditions posed by the structures and strategies of the respective company. While the
EWCs of Ford and GME were highly active and effective (i.e. getting useful information, being consulted or even negotiating agreements with management) before the crisis, the Honda EWC had always been symbolic, management-dominated and overall ineffective from the perspective of employee representation. Whereas labour relations at GM have been overall conflictive, Ford management and EWC have developed rather cooperative relations. In contrast, Honda’s harmony-oriented company culture appears to hinder independent employee representation and is characterized by management domination.

We pursue two questions: (1) How did the EWCs of these three companies change during the crisis, and (2) which factors account for the changes observed? It is argued that while the crisis certainly created a growing organizational need, it does not automatically result in any activation of EWCs. The actual development appears to depend on three factors: the EWC’s patterns and characteristics which had been developed before the crisis; the strategies chosen by management of the respective company, corresponding shifts in the company’s structures, i.e. foremost the pressures they generate for employees and the way in which those pressures are interpreted by employees, representatives or unions; and finally developments inside or in the environment of EWC (like changes in personnel), which are not related to the crisis. This specific mixture of factors, it is argued, is apt to explain the developmental paths of the EWCs analyzed here.

The findings reveal an overall pessimistic picture: While at Ford and GME the crisis worked as a centrifugal force, leading to disintegration and decline of effectiveness, at Honda there has been a slight activation and improvement of employee representation, but the basic character of the body remains the same. Hence, though the EWCs of Ford and GM, on the one hand, and of Honda on the other, revealed contrary development paths, none did actually succeed in facilitating employee representation effectively.

2. Literature review

According to Directive 94/45 of the European Union that was passed in 1994, EWCs can be established in Europe-wide operating undertakings under certain conditions. The Directive finally created a European binding legal framework for transnational employee representation, however, restricting EWC rights to information and consultation of employees over transnational issues.
The effectiveness of EWCs and their role in European industrial relations have been examined in a large number of studies. Existing EWCs vary considerably in their activities and their effectiveness (see, for instance, Arrowsmith and Marginson 2006; Lecher, et al. 2001; Marginson, et al. 2004, Waddington 2011). While some are marginalized (as simple ‘tools’ for the distribution of selected information, for instance), others have become powerful actors in the processes of communication and interest regulation within companies at European level. Some EWCs have even succeeded in influencing management decisions through negotiations – which largely extends the competencies compared to those prescribed in the Directive (Hauser-Ditz et al. 2010).

According to previous research, EWCs’ activity and effectiveness are influenced by a number of factors. Broadly, two dimensions of factors have been distinguished, actor-related and structural aspects. Interaction patterns among EWC members, between EWC, management and trade unions (on local, national and European level), solidarity and identity, as well as attitudes and strategies of actors involved are crucial for EWC activity. At the same time, EWCs’ activities are guided by structural conditions (of the respective company and the cultural-institutional environment), and by trajectories, i.e. critical incidents in the history of the EWC or the company (cf. Marginson, et al. 2004). In the case of the GM European Employee Forum, for instance, studies concluded that the existence of a European management level, overcapacities and parallel production (as structural factors) in addition to trade union support, a learning process of the EWC members, and the strong national system of labor relations (here: Germany) were important aspects which explain how the EWC became a ‘bargaining actor’ (Banyuls, et al. 2008). According to current EWC research it appears clearly that the activity of EWCs can be triggered by critical incidents, i.e. restructuring which comes with cost saving programs, layoffs or even plant closures, since this situation creates a high level of ‘need’ for employees to organize (Hertwig, et al. 2011). However, the effectiveness of an EWC’s activities depends on the strategy and composition of the management team and the power the EWC is able to exert in interactions with management.

3. Theoretical and methodological approach

To analyse the changes in the three EWCs, we draw on a concept of EWC’s structures and coordination patterns (see Hauser-Ditz, et al. 2010; Hertwig, et al. 2011). This approach appears to be helpful because it allows to systematically gauge EWCs and trace changes in structures and activities over time.
The concept of *structure* comprises the three dimensions of *resources, power and culture*. *Resources* concern the distribution of seats within the EWC and its steering committee, access to budgets, information or strategic knowledge. *Power* refers to decision-making competences in the EWC (Who sets the meeting agenda? Who determines the EWC strategies?). *Culture* refers to the specific set of values and norms, views and expectations of an EWC (Hofstede and Hofstede 2005; Hauser-Ditz, et al. 2010). When (a large number of) EWC members share a common vision, similar expectations and views concerning the basic goals of the EWC, and act according to the EWC’s implicit rules, cultural properties are found to be quite unique and strong; vice versa, heterogeneous views and interests characterize a weak culture.

*Coordination processes* refer to EWC’s activities, mainly the number of general and steering committee meetings (including possible extraordinary meetings); the level and quality of formal and informal communication among the EWC members in-between official meetings; the activities of special working groups within the EWC; and, finally, the ability to develop strategies and collective action. For instance, one may find that activation comes with an increase in the amount or quality of regular communication among EWC members. Especially in crisis situations, EWC members may communicate and interact more frequently and hold special meetings (see Waddington 2011).

It is argued that EWCs structures and coordination patterns are influenced by distinct factors which can usefully be categorized in four dimensions: (1) company structures and coordination patterns, (2) culture; (3) development paths, and (4) actors (Hauser-Ditz et al. 2010).

Even though EWC’s structures and activities can be strongly influenced by single actors or groups of actors, they are basically a result of social bargaining processes among the involved actors which are significantly influenced by existing structures and institutions. Actors may seek to project diverging views, strategies, and attitudes on the EWC; at the same time they may have different amounts of power to shape the EWC according to their whishes (Giddens 1984). Change (and resistance) of EWC coordination processes and structures, hence, depend on a number of factors. The *international company* in which the EWC exists is the main environment of the EWC and at the same time the subject and counterpart of its activities (Pries 2008). Hence it can be assumed that the structures of the company as well as the strategies management pursues have a huge impact on the EWC. To illustrate, GM owns a large number of production facilities across Europe which are played off through strategies of parallel production and inter-plant competition, this situation is found to have strengthened EWC activity significantly (Banyuls et al. 2011).
Cultural aspects have been highlighted by research on international HR, and EWCs in particular, for a long time now (e.g. Gilman and Marginson 2002; Hertwig 2013). Basically this refers to differences in the views and expectations of actors which may vary by nation, region, company and subsidiary, but also by professional background (Scott 2001). EWCs are also shaped by historical developments and incidents (paths or trajectories), like major conflicts with management or significant structural changes (Müller, et al. 2004). Finally it is assumed that individual actors, their commitment and engagement make a difference. For instance it has been reported in several studies that powerful and committed chairmen of EWCs have contributed to the effectiveness of employee representation whereas other EWCs remained passive as there was no such ‘driving force’ to take the lead (cf. Müller et al. 2004; Kotthoff 2006; Hauser-Ditz et al. 2010).

Data and methods

The data presented stems from three research projects which dealt with EWCs in large automotive companies. The first (“The European works council as a transnational organization?”) was carried out at Ruhr-Universität Bochum from 3/2007-7/2010. The second („Die Rolle Europäischer Betriebsräte in der Bewältigung der Wirtschaftskrise, am Beispiel Ford Europe“) was carried out between 4/2010-12/2012 at Saarland University. The third project („Europäische Betriebsräte in der Finanz- und Wirtschaftskrise - Honda und Toyota“) was carried out between 3/2011-10/2012. Funding was received from the Arbeitskammer des Saarlandes, Deutsche Forschungsgemeinschaft and Hans-Böckler-Stiftung. In each project, interviews (between 30 and 120 minutes length) with management, EWC members from different locations and trade union officials have been conducted, using semi-structured questionnaires. In sum, more than 100 interviews have been concluded, transcribed and analysed.

In the following we first give an overview of the state of affairs in the three companies and EWCs before the crisis (Section 4). Then the changes in the three EWCs’ structures and coordination patterns are analyzed (Section 5). The findings are explained on the basis on the theoretical concepts already described (Section 6).

4. Characteristics of the three EWCs and companies before the crisis

4.1. General Motors Europe and the EEF

During the first decade of the 21st century GME ran ten production sites in seven countries of the EU with more than 60,000 employees and more than two million cars produced. Including Turkey and Russia, GM ran 24 production
sites in Europe, representing almost half of all worldwide GM sites. GME managed three different brands in Europe (Opel, Vauxhall and Saab) with separate coordination centers (for Opel in Rüsselsheim, Vauxhall in Luton and Saab in Trollhättan).

In its European business operations, GME had been facing a ‘permanent crisis’ since the 1990s. New competitors had emerged, blocking export strategies to new markets, while niche products were imported by GM from overseas. In addition, quality problems damaged the image of the products. Taken together, these factors resulted in a precarious financial situation of GME since the beginning of the new millennium. During the years 2000-2011 Opel for example, the largest brand of GME, managed to generate profits in one year only - 2006 (Süddeutsche Zeitung, 16.2.2012).

The reaction of the GME management to the on-going crisis and the decline in profits and market share since the second half of the 1990s has been the installation of various adaptation and restructuring programs (Hauser-Ditz, et al. 2010: 344), foremost the closure of the Azambuja plant in 2000; the outsourcing of Delphi and a joint venture with Fiat; the expansion to Middle and Eastern Europe; a strategy to increase competition among suppliers; and finally, cost cutting measures in order to reduce labour costs. Concerning the latter, the main strategy of the GME management has been, aside from closing production locations, to incite direct competition between production locations (Bartmann and Dehnen 2009).

The economically precarious configuration of GME throughout the 1990s and 2000s marked the early years of the GME’s EWC – the European Employee Forum (EEF) – significantly. The EEF has been founded on September 16th in 1996 (exactly the same day as the Ford EWC). From the beginning, management tried to play the employee representatives of the individual production sites off against each other; it succeeded with this strategy as many national employment pacts were concluded between GME and local employee representatives. Initiatives by employee representatives to negotiate European-wide agreements were refused by management. The overall climate within the EEF was at this time marked by distrust and competition among the employee representatives from different countries and locations (cf. Hancké 2000).

Intertwined processes lead to fundamental changes in the EEF during the years that followed. In 2000, the head of the German groups works council Klaus Franz was elected EEF chairman. In his inaugural speech he laid emphasis on
trust-building measures as one of the main tasks as chairman. In the following years, communication and activities increased considerably within the EEF (Kotthoff 2006: 14).

Joint reflection of the EEF members about the problems that came with the German employment pact and the experience with the site selection practices led to the insight that local or national negotiations would result in a negative spiral of social protection and collective bargaining. In order to prevent this course of action, a common strategy was developed which resulted, firstly, in the signing of a solidarity pledge in December 2005 by the employee representatives of the so-called Delta production locations. Secondly, the so-called General Motors Trade Union Coordination Group (TUCG) was founded, in which not only employee representatives of the production plants were included but also trade union representatives from the national offices in the affected countries. Since then, the TUCG has been a forum for intensive dialogue and development of joint strategies.

Throughout its existence, the EEF negotiated a number of agreements with the management of GME in which far-reaching results were obtained, even superseding the competences of the German codetermination provisions (e.g. production capacities of the European plants). The severe management strategies since the 1990ies had evoked many kinds of collective action on part of the European employees and the EEF. The reduction of employment at nearly all European GM locations was accompanied by massive protests by employees in all European plants. So-called ‘European Days of Action’ were conducted in 2001 and contained protests and public demonstrations with more than 40,000 GME employees all over Europe. The management, having previously achieved concessions without resistance, was clearly caught by surprise and in the face of these massive protests consented to sign a European Framework Agreement (EFA) which stipulated the exclusion of forced redundancies and guaranteed employment transfers to other production plants (Hertwig, et al. 2011). On the side of management, the main motif for consenting to negotiate with the EEF has been to avoid public protest and conflicts in the main European markets, above all in Germany. In the following years the double strategy of intensive cooperation within the TUCG on the one hand, and its contentious stance vis-à-vis the management on the other prompted the company to sign eight EFAs until 2009 (Dehnen and Rampeltshammer 2010).

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1 Locations which produce models that are based on the Delta-platform – the platform approach would allow the company to shift production volumes quite flexible, as the basic production techniques are the same.
The EEF has developed, in the face of resistance by management, from a deeply divided group to a united negotiating body. For this reason, it has been regarded as the most developed example of an EWC (e.g. Greer and Hauptmeier 2007; Dehnen and Rampeltshammer 2010). In fact, since the middle of the 2000s, the EEF was characterized by a strong coordination – a high degree of activity and frequent, intense interaction – between its members and their respective trade unions at national as well as European level. The body developed a culture of trust and solidarity, which is supported by its decentralized structure: even though the EEF chair and steering committee are located in Germany - as the country where the headquarters and most facilities are located -, there are only six German representatives (out of 29).

4.2. Ford of Europe and the FEWC

In 2009, Ford’s European operations comprised six fully owned production plants in seven countries, a joint venture with the supplier Getrag, and joint ventures in Turkey and Russia. Similar to GM, in-depth restructuring began at Ford Motor Company even before the crisis. Extensive cost-reduction and restructuring measures had been implemented in the North American Automotive Operations since January 2006, known as the “Way Forward” program, which led to mass redundancies for 51,000 employees and closures of 17 long-established manufacturing facilities (of which, seven were vehicle assembly plants, representing more than one-third of all assembly plants) by the outbreak of the global recession in 2008. The savings achieved in North America, in addition to the steadily growing markets in South America and South-East Asia, had boosted the operative results of the whole company by 2008.

Unlike GME, Ford of Europe has pursued a cooperative approach to labor relations with the FEWC. Very early, the management developed the attitude that the EWC could benefit both employees and the company, as EU-wide binding agreements could lead to certain standards and reduce transaction costs. Concerning strategies, parallel production and plant competition play a minor role. Accordingly, employees from different locations and countries were not competing against each other in the short run, and hence, mutual trust was easier developed.

Like the GM EEF, the FEWC is rather decentralized: even though the chair and secretary are located in Cologne (the EU headquarters since 1998), Germany possessed only 5 of 18 seats (same as the UK). Promoted by the highly integrative approach of by the two German chairmen, the EWC has developed a culture of trust and solidarity.

Judging by its history, the FEWC can be characterized as one of the most active and advanced bodies of employee
representation at the European level. In terms of negotiations and agreements with management, the EWC has been highly effective: Until today, there are 10 agreements covering topics from restructurings to social rights and responsibilities towards realignment of engineering facilities.

4.3. **Honda Motors Europe and the HECCG**

In respect to the amount of production and the number of employees, Honda is only a marginal player in the European automotive sector. While the company runs businesses in 14 European countries (comprising sales and logistics) there is only one automotive plant (UK). Of nearly 182,000 employees worldwide, only 3% (approx. 7,200) were located in facilities in the EEA (2009).

Honda has been famous for its specific production system and its strong company culture which adheres to certain principles of production and generating innovations (Womack, et al. 1990). Direct participation, dense communication and harmonious employment relations are of major importance for the effectiveness the production system. Company labour relations characterize an overall negative stance towards trade unions and independent employee representation (Mair 1998: 112). To illustrate, when the UAW tried to organize the workforce in a US plant in the mid-1980s Honda pursued a union avoidance strategy: it offered wage increases and other employee friendly changes - and succeeded as the union was not recognized (see Luethge and Byosière 2009).

The Honda EWC – **Honda European Communication and Consultation Group (HECCG)** – was founded in spring 1995. Even though Britain did not fall under the Directive at that time, the initiative was taken by Honda’s European headquarters in the UK. On the backdrop of the company’s harmonious culture and the negative experiences with trade union representation, management was eager to maintain control of any sort of a European representational form while still complying with legal demands. Taking the initiative instead of waiting for trade union federations to organize workers seemed to be the best bet, because in this way Honda could largely determine the process. Consequently, the Directive was regarded as “an opportunity to create a pan-European structure for communicating with employees” which until that time did not exist (Honda management).

In practice, the HECCG largely reflects the cultural rules of harmonious and cooperative relations, and its structure as well as coordination patterns are characterized by the efforts of management to stabilize this model. In 1995, the HECCG consisted of 38 managers and only 22 employee representatives, who came from 16 countries (cf. Japan
Labour Bulletin 1995). On the eve of the crisis (2008), the HECCG actually had encountered marginal changes (from 68 seats, management takes 40), but still could be characterised as an overall centralised body with power being monopolized by management. Unlike in many other EWCs, the HECCG did not provide means for independent employee representation: a steering committee which comprises employee representatives did not exist. All decisions to be taken, organisation of meetings, and agenda setting were solely conducted by the management coordinator. Adding to that, the employee representatives were not elected.

Basically, the HECCG reveals a low degree of effectiveness. From a trade-union perspective, it appears that the HECCG is not a representational body at all, but rather a process of ‘information and consultation’ – an option provided by the Directive, and thus, a legal version of an EWC. Before the crisis, the overall activity and coordination of the HECCG was quite weak. On the one hand, the HECCG met at least twice a year – which exceeds the provisions of the Directive and actual practice in many other companies. But on the other hand, there had been literally no communication among HECCG members in-between sessions or at the meetings until 2009. Even if Honda does not hinder communication among employee representatives openly, the procedures and atmosphere of the HECCG are apt to prevent employees from getting organized. For instance, at each meeting employee representatives were accompanied by their local managers; as there was no pre-meeting (‘employees-only’), HECCG offered hardly any chance for employees to communicate or to organize; for the questions and answers sessions, representatives were asked to submit questions in advance, which had to be approved by management in order to get access to the forum (see also Hertwig 2013).

To sum up, on the eve of the crisis, the conditions of the three EWCs analysed here differed considerably. A history of reoccurring crises at GM and management’s joint problem-solving tactic at Ford generated ample options for those two EWCs to organize, to learn from mistakes, and to achieve a high level of employee representation. The EWCs were marked by mutual trust and solidarity, and their influence considerably exceeded the legal provisions. Unlike the GM EEF, however, the environment of the FEWC was characterized by rather cooperative labour relations, where negotiating agreements was perceived by management and employees as a win-win-situation. In stark contrast to this, Honda Europe had not faced a crisis so far, placing no organisational need for representatives to organize. But more important, the harmonistic company culture and management domination hindered the HECCG from overcoming a ‘symbolic’ status and becoming active and autonomous.
5. EWCs during the crisis

5.1. GM and the EEF: Stagnation/disintegration

Given the situation described above, it is no surprise that the economic situation of GME deteriorated with the recent financial and economic crisis. The overall decline of GME’s market share in Western Europe amounts from 1990 to 2012 to more than 36%. In addition, the insolvency of General Motors on June 1\textsuperscript{15}, 2009 aggravated the pressure on GME to cut costs.

Following its strategic path, the GME management pursued a strategy of rigid cost reductions. In order to reduce the overcapacity in production GME management announced the closure of plants in Antwerp (2010) and Bochum (at the end of 2014), and the sale of Saab (2010). Additional strategies comprised the cancellation of shifts in almost all production locations, and reduction of employment. Altogether, employment at GME decreased by more than 30%, from 64,485 in 2007 to 39,958 in 2011 (GME facts and figures, various years).

In late 2008, after a sharp decrease in sales in both North America and Europe, GM asked several governments for state loans.\textsuperscript{2} In times of economic crisis governments are more likely to intervene into market processes to keep jobs in their countries. From this point on, as Magdalena Bernaciak (2013) states, solidarity among the European plants falters because employee representatives at GME looked to their governments for assistance and abandoned the European strategy in order to secure employment at their home plants. By leaving the path of international solidarity and pursuing national coalitions new options for employee representatives emerged (Bernaciak 2013: 147).

As a result, when General Motors finally announced that the sale of GME after long negotiations with various potential investors would not take place, the trust in solidarity among the European employee representatives could not be reinstalled. This explains the relatively low joint resistance within the EEF to the closure of Antwerp and the sale of Saab. Everybody tried to secure employment at their respective home plant. As one German EEF member put it: “the discussion went very quick, because there was no big rearing up from either side. – Interviewer: Not even from the Swedes? - No, not even from the Swedes, they accepted it more or less”.

\textsuperscript{2} For instance the German government granted a € 1.5 billion short-term loan in order to secure employment at all four German production plants.
Even though the EEF had over a period of nearly ten years learned to cope with situations of crises, the current financial and economic crisis apparently added a new quality of challenges for cross-border employee representation that the body was hardly able to deal with. While previous crises put pressure on a small number of locations (i.e. the Delta platform sites), the recent crisis affected nearly all locations or even put them in jeopardy. Furthermore, uncertainty about the future of GME increased: the insolvency of GM; the subsequent announcements and withdrawal to sell GME; the closure of Antwerp, which was an open breach of the guarantees by the GME management in the previous European Framework Agreement; the announcement of the closure of the production location in Bochum (at the end of 2014); the sale of Saab; and the continuous rumours of further plant closures have set a centrifugal process in motion in which the strategy of solidarity has collapsed.

A number of factors promoted the disintegration of the EEF. As the number of locations was reduced (due to the closure of Antwerp and the sale of Saab), the previous composition of the EWC changed, meaning that some representatives had to leave the body. As a consequence, on the one hand, the relatively equal distribution of seats, knowledge and power within the EWC before the crisis (Hauser-Ditz et al. 2010) has been reduced, and the EWC office in Rüsselsheim increasingly took on the role of a centre. On the other hand, personnel networks and relationships that had carried the EWC and that reinforced its cultural principles vanished.

Another force promoting the disintegration of the EEF was the breach of implicit contracts of solidarity among employee representatives (Rousseau 1995) that had integrated the EEF and fostered its success for nearly 10 years, leading to a weakening of the culture of solidarity in general. Most significant for this shift is the reintroduction of local and national negotiations, with single plants falling back to plant-egoism. Negotiations about concessions took place in Germany, Poland, and Spain in a more or less transparent way, i.e. the EEF was informed about content and timing of the negotiations. In May 2012, however, the employee representatives in Ellesmere Port (UK) and national union officers secretly negotiated with GME management. In order to secure production of the new Astra, they accepted far-reaching concessions (freezing of wages, waving of profit participation, further flexibilization of working time) which were accepted by 94% of the workforce.

In the wake of the crisis, the perception of the EEF as “the most important body”, as one employee representative from Belgium put it, has given way to the emphasis on national representation and participation strategies and
structures. The evident diminishing of the representation function of the EEF, however, has not been fully compensated equally at national level.

Despite these signs of disintegration, communication among the members of the EEF has continued to be intense, and a large number of meetings of the EEF and the working groups have taken place. These facts document on the one hand, that the EEF is still active; however, as no more collective strategies or bargaining with management derive from this cooperation, the EEF lost its influence on management decisions.

5.2. **Ford and the FEWC**

Despite Ford’s extensive “European Restructuring Plan” implemented in the beginning of the 21st century, the operating results in Europe continued to fluctuate throughout the 2000s. The highest pre-tax result of $1,052 million was reached prior to the crisis in 2008. Following a slight stabilization after the introduction of the scrappage schemes in multiple countries of the EU, Ford of Europe was undergoing a deep recession, realizing a pre-tax loss of $1,753 million in 2012. Employment in Europe declined from 67,000 in 2007\(^3\) to 46,000 in 2012\(^4\). Hence, more than 20,000 jobs got lost in Europe over a period of five years.

The European operations of Ford were affected by the crisis to significantly different degrees because of two particular developments: Firstly, the introduction of the new Fiesta model in 2008 occurred just before the outbreak of the recession throughout Europe. Secondly, various scrappage schemes in multiple EU countries, running mostly between the years 2008 and 2010, created incentives for the sales of small and medium-sized cars. The internal functional division among the plants at Ford of Europe preconditioned that a country such as Germany manufacturing the new popular Fiesta model in Cologne (and in Valencia, Spain since 2009) and Focus in Saarlouis would profit from the new demand. At the same time, Belgium with the production of larger vehicles such as S-Max, Mondeo and Galaxy and the UK with its motor plants and a production of the transport vehicle Transit would most likely suffer from the new situation in the market.

Concerning labor, management pursued different measures to cut costs and reduce employment at different levels of the company. They included cost-reductions in production introduced at the national level. Later, there followed


local agreements concerning the length and the number of the work shifts, appeals for early retirements or lay-offs of temporary workers. Most noteworthy, Ford management appeared to abandon its original cooperative approach towards the FEWC by trying to play off locations against each other in local bargaining – however, even though exploiting employees preference for local arrangements. To illustrate, management only informed the EWC after final decisions about plant closures had been taken, so that there was no more chance to bargain.

During the crisis the FEWC can be classified as a “service-oriented” body (Lecher, et al. 2001). The secretariat, based in Germany, served as a communication channel between the European and the national levels, and as a discussion forum for the employee side. The central topics reported on during the internal meetings were the financial performance of the company and registration numbers of Ford vehicles, the impact of the crisis on the current production and employment in plants, and the use of agency labor and short-time work widely used in Germany (that implemented by Ford in Spain according to the German model).

Concerning the cost-reduction plans, most representatives would prefer to bargain nationally or locally skipping the European level: “Each country inevitably does its own thing. And it’s very hard to expect people to do anything different. You know, it’s about protection” (EWC member, UK). Company-level collective bargaining agreements were almost simultaneously negotiated in Germany, Spain and Belgium by the local bodies of employee interest representation or by the trade unions, aiming at local employment protection.

While the FEWC coordinating local bargaining rounds could have led to a multilaterally benefiting win-win situation, the process ultimately became a free-rider problem. To gain a relative advantage in comparison to others, some EWC members withheld the details of the on-going negotiations or chose to present selected details only afterwards, when any kind of strategic talks on the employee side within FEWC had become obsolete. The failure of some employee representatives to attend the FEWC meetings during the local negotiations was then interpreted by the other EWC members as a confrontation avoidance strategy, thus increasing the overall frictions within the FEWC. The details of the national collective bargaining agreements were also not an issue during the meetings with the company management. Subsequently, management was able to impose concession bargaining upon the national employee representatives, and the lack of transparency on the employee side bred mistrust and indifference towards further co-operation at the European level.
Another factor causing frictions concerned the dominant role of the German employee representatives. In private, some EWC members accused the Germans of not sharing any concrete numbers imposed by the management other than reporting about the fact of ongoing negotiations: “They were talking about a horror list of 60 proposals, 30 proposals made by the management in Cologne, but the concrete details they did not communicate to the rest of EWC” (EWC member). This was partially interpreted as a protectionist strategy for the sake of the German plants, which caused a search for hidden meanings and hindered open discussions within the FEWC even after the conclusion of the collective bargaining agreements at plant level. While being secretly criticized for not using their strength to support their European colleagues, the Germans seemed annoyed by the lack of initiative and victim mentality of some EWC members.

Especially those EWC members from outside of Germany expressed strong demands for more fairness during the production distribution process towards the European management: “So that not one country gets 90 percent of the work, while a small country next to it only 10 percent” (EWC member). Basically, the expected fall in demand following the end of the national scrappage schemes, coupled with the overcapacity of the automotive market in Europe, raised great anxieties among the EWC members. From this perspective, the work environment within FEWC was dominated not by the initial crisis but by the forthcoming prospects after the crisis.

The deterioration of the co-operative practice within FEWC and the erosion of trust and solidarity can be traced back to a number of intertwined factors. Firstly, the crisis revealed a new quality in terms of threats for locations and employees. This situation was especially apparent as many of the interviewed EWC members were aware of the economic need to close one production facility due to the overcapacity problem of Ford in Europe (see Jürgens and Krzywdzinski 2006: 21). Under this assumption, the decision to close two plants in the UK and the Genk plant in Belgium came as a shock taking the FEWC by surprise during a short meeting with the management in November 2012. Because of the difficult European market and decreasing profits in Europe the EWC members had anticipated some radical measures in one country, but plant closures in two countries and of more than one plant at once had not been expected.

Since the FEWC has never been confronted with complete plant closures of this kind, as compared to the GM EEF, the national employee representatives would not trust their EWC to work out an acceptable joint solution. They would, moreover, not be willing to transfer a part of their local or national power to the European level for these
purposes. Even realizing the need to mobilize the necessary efforts at the European level, the EWC members strongly believed that the instruments available at the national level were better suited to deal with the problems. In this situation, the limits of collective strategy-building processes and finding shared points of intersection appeared especially evident, so that cooperation within the FEWC was increasingly perceived as a zero-sum-game.

A catalyst for the erosion of trust was a change in the membership composition of the FEWC. Several long-term representatives had left the FEWC, partly because of retirement, and the new ones had skeptical views about Europe. For instance, they were not even aware of the possibility of negotiations within the EWC framework. The interrupted continuity within the FEWC diminished personal trust between the members. As a result, the lack of familiarity within the development path of the FEWC in the past and of possibilities and constraints of cooperation at European level caused a rift between the longstanding and new members. While single changes in membership had gone by unnoticed in the past, the alterations on a larger scale against the background of the crisis did pose a challenge.

Under the pressure of the crisis, the critical personal stance of many national employee representatives resulted in the lack of cooperation and generally pessimistic attitudes towards the joint future of the FEWC. The new members had different views and concepts, questioning the “traditional” FEWC culture. Overall, the motivation among EWC members to intensify their efforts for the common good varied significantly. Especially the newer and younger EWC members developed a very skeptical approach towards carrying out employee interest representation at the European level and did not communicate any expectations other than gaining access to central management. Many EWC members fell back to national or plant-egoism, anticipating that their colleagues in the FEWC would do the same. Under these conditions, there appeared to be very little room to think and act in terms of solidarity:

“The national employee representatives will first inform themselves and try to save their plant. Only afterwards they will think of helping the others by saying, ‘it could have come worse’. The strongest will try to pick the best piece of cake, that’s the way it’s gonna work.” (EWC member)

“My highest priority is saving our work places that we still have got. Here we expect help from the EWC. (...) But solidarity lasts for as long as own interests are not tangent. In a manner of speaking, it’s neck or nothing – that’s where solidarity ends.” (EWC member)
5.3. **Honda and the HECCG**

Within the automobile business (the largest division within Honda Europe) net sales and the number of units sold declined since 2008 (i.e. fiscal year, April 1, 2008 to March 31, 2009). Between 2010 and 2011 they decreased by more than 20%, net income by 23% (Honda Review of Operations Automobile Business 2011: 1). Management developed four different strategies to minimize costs and to deal with the decline of demand, which affected the individual European locations quite differently: (1) As car sales decreased, management decided to cut production in the British Swindon plant (Honda UK Manufacturing) by 50%. As a consequence, Honda laid off approximately 1,000 (from former 4,000) employees since 2009. The company offered a voluntary release program, which was accepted by a large number of employees so that there were no forced redundancies. (2) The *motorcycle business* in Spain was restructured with parts of the production being transferred to a plant in Italy. From former 360 employees, 180 left the company in 2009. The remaining part of the plant continues to produce spare parts. (3) As a reaction to decreasing sales, Honda was seeking to streamline its *sales activities*. In 2010, about 100 people were made redundant, which affected various European distribution locations. (4) At the same time, there was a reform of Honda’s European *business administration*, which involved all locations in Europe. Most of the accountancy was removed from the individual locations and concentrated in a location in Krakow, Poland. In each location about 10 employees were affected (80 throughout Europe). In sum, the number of employees declined by 1,300, from 7,200 in 2009 to 5,900 in 2011 (Honda manager, Belgium).

Concerning the official coordination procedures the HECCG encountered slight improvements: two special meetings were scheduled since 2009 in order to inform employees about the strategies management had chosen due to the crisis. However, more fundamental activation occurred as the original management controlled meeting routines changed, and some structural shifts were introduced, which at least partly challenged the existing character of a management dominated body.

The initial trigger for activation appears to be the restructuring of the business administration. As this strategy concerned all the European locations, employees had the feeling that a new ‘mode’ of restructuring had commenced: Whereas previous incidents and strategies – like layoffs or the relocation in the motorcycle division from Spain to Italy – affected only one or two countries, the reform of “business administration was intended for several locations. This was the first major time that everybody was affected” (HECCG employee representative,
Belgium). As a result, employee representatives’ interest in the HECCG meetings increased significantly. In the meetings that followed, representatives were much more aware that their location might be affected by the crisis and that their jobs might be in jeopardy.

“"The feeling [among representatives] was: now we are in a difficult time, now some of our jobs are threatened and people will be made redundant. Of course the intensity and the passion in the people increased because everybody is asking questions: What will happen? Is my job safe?” (HECCG employee representative, UK)

As a consequence, employees used the HECCG in the way it was originally intended by management, i.e. as a device for sharing information on European issues. Hence, the number of questions employee representatives would submit for management to answer during the meeting rose from former 100 to 200. Moreover, according to the interviewees, not only the number, but also the quality of the questions increased, as they were now more concerned with the effects of the crisis on locations and employment: “In 2009, (...) questions weren’t very relevant to the European situation, mainly questions about models, engines and so on. This changed late 2009” (HECCG employee representative, Belgium).

The most noteworthy sign of activation is the establishment of a new routine in the HECCG meetings. This routine appears even more relevant as, later on, it was formally coded in the 2010 revision of the EWC agreement, and hence, marks a shift in the structural properties of the body. Due to the sharp increase in questions at the HECCG in the fall of 2009, HECCG officials recognized that it was not possible anymore to run the questions and answers session effectively. As a solution, a Belgian and a British representative suggested to have employees discuss and select the questions in order to prioritize questions and discard duplicates. Probably because of the close relation of the Belgium representative and the management coordinator – both work together in the same Belgium plant and have known each other for years through local bargaining – the suggestion was accepted. As there was no room available in the conference hotel, the 28 employee representatives gathered in the lobby.

This event appears important because, on the one hand, for the first time HECCG employee representatives gathered separately without being accompanied by managers. On the other hand, the new procedure implicated a shift in the responsibilities for HECCG coordination and planning. As the HECCG management coordinator was not supposed to moderate the ‘employee pre-meeting’, a new ‘employee coordinator’ had to be chosen. This role was taken by the Belgium representative. Meanwhile, the new procedure has been institutionalized and developed into a
regular item on each HECCG agenda, supplemented by a distinct time frame and facilities (like a separate meeting room).

The new routine triggered further changes: In the months that followed, the Belgian and British HECCG members took the role of independent employee coordinators. Even though the role was not officially defined (i.e. formally coded), it was tolerated by management, because, on the one hand, management realized that employees strongly demanded more information, and that new structures and procedures were required in order to deal with this demand effectively. On the other hand, they were not too worried about losing control as the new employee coordinator had been well-known for years and was being trusted as not challenging the basic (harmonious) principles of the HECCG.

Even though the establishment of an employee coordinator came rather as an unintended side-effect of the requirement to keep the HECCG working, informal communication among employees was triggered. Especially before the HECCG meetings, communication increased because the employee coordinator would now contact other employee representatives in order to gather issues and list questions.

Eventually, the HECCG even demonstrated some collective action – which is quite surprising when we recall the overall harmonious culture of the body and the fact that for more than a decade employees were reluctant to communicate at all. In the face of the large number of layoffs that had happened since 2009, the two employee coordinators came up with the idea to make a statement to management, expressing employees’ concern about the situation and the loss of jobs. Once again, this suggestion had a side effect: For the first time discussions among employee representatives were triggered because some representatives objected to this form of activity. Finally, a joint statement was passed and read out to the management on a regular HECCG meeting in 2010.

6. Discussion and conclusions

Reacting to the crisis, management in all three companies had developed strategies which were targeted at coping with the decreasing demand, overcapacities, and increasing costs. The overall consequences of these strategies, which would affect the interest of employees throughout Europe, were severe. Compared to previous crisis situations, the recent financial and economic crisis diverged in a number of aspects. Obviously, in each company a large number of locations were affected, and measures taken were more severe than in previous crisis. At Ford,
European locations were shut down for the first time. While plant closures were not new for the GM, the situation here was marked by cumulating problems and uncertainty about the future of the whole company (bankruptcy, plans to sell the Opel brand). At Honda, a significant share of employees was laid off, marking a breach of implicit life-long employment contracts. Basically, the crisis raised the level of problems to which employees and EWCs had been used to so far considerably.

Over the period observed, the three EWCs encountered changes in their structures and coordination patterns to varying degrees - however, only part of which were triggered directly by the crisis. Referring to the theoretical model sketched above, management strategies appear to be the strongest factor to explain the changes. However, it is important to note that additional incidents occurred, some of which catalyzed the effects of the crisis, which strongly contribute to the explanation of the three EWCs’ developmental paths.

It may come as a surprise that only the HECCG – from the outset by far the weakest body in our study - revealed (slight) improvements whereas the two former “best practice” EWCs sort of deteriorated. In all three EWCs there has been an increase of activity, characterized by enhancing communication and spreading information. But eventually, the most fundamental changes took place within the Honda EWC. Unlike the others, it engaged in collective actions, which are not to be found at GME and Ford of Europe during the crisis. Even though those collective actions were of only symbolic nature, they were suited to affect the company as they contradicted the cultural rules of Honda. Furthermore, the changes enabled new structures of independent employee representation for the first time since 1995.

The finding that each of the three EWCs revealed a somewhat different development is in large part due to the fact that the EWCs from the outset starkly differed in their characteristics and the context conditions which fostered these particular characteristics. At Honda, the success-story of the company’s European operations and its strong culture inhibited collective action. For a long time employees saw no need to organize and to risk conflicts which management would interpret as a violation of the cultural principles of the company. But individual representatives were strongly concerned about the crisis as management strategies threatened to deeply affect their location. As the HECCG had never developed a sense of collectivism or a representational culture, representatives approached the meetings on behalf of their individual concerns when they sought to improve the situation for their location. Thus, the crisis triggered individual, but not collective activation. Nevertheless it is noteworthy that changes in the HECCG
derived, as an unintended side effect, from the sum of those individual rational motivations to use the HECCG as an information platform. The introduction of an employee-only pre-meeting and an employee coordinator were not strategically pursued by any individual representative nor by management. Rather they stemmed from the sheer need to keep the HECCG working. Therefore, the Honda case complies with findings from previous research on activation of employee representation only in part: a rational decision to organize collectively was never taken, and the weak forms of collective action (joint statement) were debated and questioned among representatives.

Accordingly, despite the changes described, the basic character of the body – foremost the close resemblance of the company culture and management authority – was not altered. The finding highlights the role of committed actors, but also of the constraints to further activation posed by the particular cultural setting.

At GME and Ford of Europe, cumulating problems eventually lead to a partial erosion of the former cooperative culture of the EWCs that was marked by shared norms and solidarity. In both EWCs, changes in personnel weakened the body. At Ford, a considerable number of longstanding members left the FEWC, and so personal networks and trust diminished. At GME, the capacious restructuring intermingled with layoffs and anxiety about the future of the company. The number of representatives decreased and the longstanding chairman Klaus Franz, who had jointly initiated the solidarity approach, retired. Given this situation, in both FEWC and EEF the problems were regarded too severe for the transnational level to cope with, and so employees would tend to rely on their traditional national institutions – however, exposing themselves to plant egoisms, competition, and threats of a downwards spiral of work and employment conditions. At Ford, the change of European management’s cooperative approach towards the EWC contributed to this severe scenario. In sum, the changes in both FEWC and EEF can be characterized as a “stagnation” of employee representation and as “disintegration” of the EWC, because the structural and cultural basis for cross-border employee representation in those bodies apparently suffered.

The future of the three EWCs is uncertain. Given the fact that the EEF and FEWC have been regarded as “best practice” models, the question arises whether the crisis – due to its complexity and severity – irretrievably destroyed those former well-functioning EWCs. Did the loss of trust damage the EWCs’ culture of solidarity in a way that it cannot be reconstructed? Or might incentives for a re-intensification of cross-border employee representation emerge in the near future? It appears that cross-border employee representation in those companies may have to take a step back in order to re-establish trust and commitment, for instance by integrating and “teaching” the new
representatives. Certainly, recovery will depend on committed persons who are eager to re-establish the former structures, and probably even on “critical events” which may give the EWCs a sense of achievement. At Honda, it remains to be seen whether the new activists can sustain the achievements of independent employee representation or whether the management will attempt to roll back the changes once it gets worried that the new forms of participation might harm the company.

A limitation of this study is that it was not possible to single out the isolated effects of the crisis. Their coincidence with other incidents – the changes in personnel and/or management attitudes – certainly contributes to the developments described here in a significant way. One could speculate that at least the GM EEF might have managed to cope with the challenges more effectively if the interpersonal networks had remained intact and if the influential chairman had not retired. In a similar way, a minor shift in the representation structure at the Ford EWC might have sustained or even strengthened the cooperative approach, despite the severe challenges of plant closures.

The study points to the fragile nature of cross-border employee representation, which vitally lives on trust, personal networks, and cooperative attitudes of committed actors. When it comes to the crunch and personal networks falter, apparently, actors tend to rely on national institutions. Arguably, the basis for the effective EWCs to develop was less of “confidence in abstract systems”, i.e. in the institutions of the EU, but personal trust, strongly connected to individual relationships (Endreß 2002). “It is clear that for EWCs to function effectively, representatives from different countries must develop a functioning working relationship” (Patriarka and Welz 2008: 5). Trust in the EWC as an institution, probably, will only re-emerge in the long run.

Given this scenario, particular measures such as an elaborated training system for new EWC members to foster their integration appear fruitful in order to support continuity of effective EWC representation. Personal trust will rise with increasing interaction and communication inside an EWC, as the TUCG of GME’s Delta plants illustrates. Also long-term membership and less fluctuation, the establishment of working groups within an EWC, as well as a slight increase in the number of delegates can broaden the basis for cooperation inside an EWC. Some of those issues may address the EU commission and an agenda for a second recast/revision of the Directive.
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