Social dialogue in micro and small companies

Executive summary

Introduction

Micro and small companies constitute the backbone of private business in Europe, accounting for nearly 99% of all enterprises, more than half of total employment in the private sector and an even greater proportion of new jobs.

Despite their crucial place in the economy, there has been little research on micro and small companies, particularly in terms of the implementation of fundamental workers’ rights – such as health and safety at work – and the positive role of social dialogue in striving for good working conditions and industrial relations.

Given this knowledge gap, Eurofound undertook a research project aimed at investigating industrial relations and social dialogue in micro and small companies. The research was based on various information sources, including a review of Eurofound’s earlier research and other literature on the topic, a comparative evaluation of contributions from 28 national correspondents and 10 case studies of good practice in micro and small companies in five countries.

Policy context

The European Commission has in recent years highlighted the important role of small companies for economic and employment growth, notably in its 2012 Communication ‘Towards a job-rich recovery’. With a view to ‘unlocking growth potentials’, and in particular since the adoption of the Small Business Act in 2008, the Commission has been paying increasing attention to the specific needs and requirements of small companies. Recent initiatives have been aimed at minimising the regulatory burden, introducing a lighter legislative regime for small companies and putting forward the idea of an ‘SME test’ to determine the potential effects on SMEs of legislative processes.

At the same time, the Commission and other EU-level institutions (such as the European Agency for Safety and Health at Work – EU-OSHA) have raised concerns around the implementation of fundamental workers’ rights that are set out in the 1989 Framework Directive on Health and Safety, regardless of the size of the company, or in terms of the 2002 Framework Directive on Information and Consultation, which in most EU Member States also covers companies with fewer than 50 employees.

Key findings

The research findings confirm the specific features of industrial relations in micro and small companies, highlighting the important role of informal relationships between owners/managers and employees and the lack of formalised structures and practices of interest representation and social dialogue, collective bargaining coverage and collective representation in general.

Micro and small companies are not a homogeneous group when it comes to industrial relations and social dialogue. Micro companies are different from small companies because of the sharing/rotation of workplace activities, and the strength of social ties outside the workplace – such as family, ethnic and community – that shape their internal industrial and social relations as well as the internal organisation.

The findings reveal that while the majority of EU countries (22 out of 28) have established regulations on workplace interest representation and formal structures of social dialogue that also include micro and small companies, the incidence of formal social dialogue structures in companies with fewer than 50 employees is generally low, albeit with significant variations between countries. Nevertheless, the coverage of micro and small companies by collective bargaining agreements is higher, although this is
However, legal and other forms of regulation, while important, are not the decisive factor of influence. The most important driver is the leadership and management culture which is essentially driven, especially in micro companies, by the owner of the company. The study shows that social dialogue and a more participation-orientated industrial relations culture seems to reflect a ‘high road’ and ‘best in class’ business model that is based on the quality of the product or service delivered, as well as on solid customer orientation and satisfaction.

Policy pointers

- Both micro and small companies differ significantly from larger companies in industrial relations and in formalised structures of industrial relations, OSH and social dialogue: good practices of social dialogue are characterised by open and trustful relationships between employers and workers established around a common set of interests.

- The special features of small companies vis à vis larger companies regarding financial and other resources result in a greater need for external structures of support, information and advice.

- In view of the limited company-specific resources, social dialogue and collective agreements at local, regional and sector level are much more important for micro and small companies than for larger ones. A crucial factor for good practice and success in this context is the proximity of external actors – the closer and more direct the relations are, the better the results. These issues need further, more in-depth and comprehensive qualitative research, especially from the perspective of their impact on working conditions.

- Greater research also seems appropriate in the context of the debate about lifting the administrative burden for SMEs. The interviews with employers and social partner organisations show that the existing regulations, including regulations on OSH, are not regarded as a particular burden. At the same time, national and European actors should be well aware that the implementation of regulatory requirements for micro companies requires proportionally far more resources and much greater effort than for larger companies.

Further information

The report Social dialogue in micro and small companies is available at http://www.eurofound.europa.eu/publications/htmlfiles/ef1412.htm

For more information, contact Jean-Michel Miller, Research Manager, at jmm@eurofound.europa.eu