



Eurofound

Employee involvement in companies under the European Company Statute (ECS)

Case study: Allianz SE

Profile of the company and the nature of social dialogue

The negotiation process of employee involvement

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General evaluation

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Research project: Employee Involvement in companies under the European Company Statute

Profile of the company and the nature of social dialogue

General information on the company and the SE

Allianz SE is an integrated financial services provider with more than 150,000 employees. The company serves approximately 75 million customers in about 70 countries. Allianz SE operates and manages its activities primarily through four operating segments: property-casualty, life/health, asset management, and corporate and other. The company offers a variety of insurance products to both private and corporate customers, including motor liability and own damage, accident, general liability, fire and property, legal expense, credit and travel insurance. The company offers a range of life and health insurance products on an individual and group basis. Furthermore, it acts as a global provider of institutional and retail asset management products and services to third-party investors and provides investment management services to the Allianz Group's insurance operations.

With a share of more than 50%, Europe is still the most important market for the Allianz Group, followed by the so-called growth markets with a share of 36%.

Table 1: *Customers by region as of 31 December 2009 in %*

Germany	26
Rest of German-speaking countries	3
Italy	8
France	7
Anglo markets	6
Rest of Europe and South America	12
NAFTA markets	2
Growth markets	36
Total	100

Source: *Allianz Group annual report 2009*

Employment is even more concentrated in Europe. As of 31 December, 2009, 153,203 employees worked for the Allianz Group. Compared to 2008 this was a 16% fall in overall headcount, a result largely of the sale of Dresdner Bank. Employment in Europe accounts for a share of about 80%; nearly one third of the overall employment is concentrated in Germany.

Table 2: *Employees by region as of 31 December 2009 in %*

Germany	32.0
Rest of Europe	47.9
NAFTA	6.9
South America	2.5
Asia-Pacific and Africa	10.7
Total	100.0

Source: *Allianz Group annual report 2009*

Table 3: *Employees by countries as of 31 December*

	2009	2008*
Germany	49,051	71,267
France	18,489	18,915
United States	9,908	10,627
Russia	8,311	9,106
United Kingdom	7,043	10,207
Italy	6,961	7,211
Switzerland	3,984	4,286
Australia	3,866	3,719
Spain	3,426	3,440
Austria	3,194	3,272
Brazil	2,963	2,941
Poland	2,589	2,458
Slovakia	2,487	2,682
Hungary	2,454	3,427
China (incl. Hong Kong)	2,225	2,501
Romania	2,152	2,331
Other	24,100	24,475
Total	153,203	182,865

*Includes Dresdner Bank

Source: *Allianz Group annual report 2009*

At the level of Allianz SE in 2009 employment amounted to 1,234 employees (2008: 1,074).

Agreement on worker participation

Allianz adopted the legal form of a European company (Societas Europea (SE)) by merging with its Italian subsidiary RAS. The process of integrating the two companies started in September 2005. On 13 October 2006, the Allianz-RAS merger was registered and Allianz became recognised as an SE under the 2001 Statute for a European company as set out in Council Regulation 2157/2001.

In March 2006, in accordance with Council Directive 2001/86/EC supplementing the statute for a European company with regard to the involvement of employees, the new company set up a special negotiating body (SNB) to negotiate an agreement on worker participation with employee representatives and their trade unions.

On 20 September 2006, an agreement concerning the participation of employees in Allianz SE was signed. The agreement defines the codetermination rights at supervisory board level as well as the composition and competences of the SE works council.

Social dialogue and employee involvement at company level

In Germany, Allianz is operating in the context of a two-channel system of interest representation. The 'dual system of interest representation' is based on trade unions and employers, who are solely responsible for collective bargaining, and works councils as the main workplace employee representation bodies. At company level, employee representation in the private sector is governed by the Works Constitution Act (*Betriebsverfassungsgesetz*, BetrVG) of 1952, amended in 2001. The works council has a number of rights to codetermination and information and consultation, but it has no right to bargain on issues that are subject to collective agreements, except in cases where such agreements explicitly allow it. Works councils have no right to call for strike or other industrial action. With regard to board-level representation, employee representatives are entitled to seats on the supervisory board of larger companies – one-third in companies with 500 to 2,000 employees, half in companies with more than 2,000 employees

As well as works councils at workplace level, the law also requires the setting up of a central works council at company level (*Gesamtbetriebsrat* - GBR) if a company such as Allianz covers several workplaces. This brings together representatives of the individual plant works councils. In the case of Allianz there is also a works council at group level, covering all the companies belonging to the group (*Konzernbetriebsrat* - KBR).

There is no board-level representation of employees in Italian enterprises. In terms of employee representation, the Italian system provides for the so-called unitary workplace union structure (*Rappresentanze sindacali unitarie* - RSU) which is expression of a single-channel model of interest representation at plant level.

The unitary workplace union structure is essentially a union body, even though two-thirds of its members are elected by the entire workforce and one third is appointed or elected by the union organisations which are party to the national agreements.

The trade unions themselves agree the rules governing the operation of the RSU. But it is normally chaired by the leading figure in the largest union in the workplace. Fisac-Cgil, Fiba-Cisl and Uilca-Uil and the so-called autonomous trade union Fabi are the major trade unions representing employees in the financial services sector and which have also members in subsidiaries of Allianz in Italy.

An industry-level agreement regulates the work of the RSU. In the case of Allianz a coordinating committee at enterprise level has been set up, not least because of the adoption of the legal form of a European company.

As RSUs are required to act as workplace representatives of the trade unions; they are entitled to conclude collective agreements at plant level and to call for strike. Furthermore, they have information and consultation rights provided by national collective agreements and by law. The most important one is the EC Directive 2002/14 establishing a general framework for informing and consulting employees in the European Union and which has been transposed by Legislative Decree of February 2007 into Italian law. It has contributed to a certain extent to closing the gap of institutionalisation of the employee rights, providing a clear definition of the concepts of information and consultation including also aspects such as the timeliness of the involvement and the right to develop autonomous proposals.

The members of the SE works council cover 26 European countries; overall, Allianz was operating in 29 European countries in 2005. There are some eastern European countries, including also countries represented on the SE works council, where legitimised bodies of interest representation and local trade unions are still missing. It is obvious that these countries do not have any national or group representation that might serve as link to the European level.

Information on the merger

In the case of Allianz the merger with the Italian subsidiary RAS was discussed with the employees before the vote of the general assembly. Information and consultation of employees took place in the European works council (EWC) in December 2005. Furthermore, the company provided direct and detailed information to all employees and had talks with national unions in accordance with the respective national legislation. The intensity of the consultation was different in each country according to the level of development of the social dialogue in the respective country.

From EWC to SE works council

The Allianz EWC, the Allianz European Committee (AEC), had been set up in July 1996 on the basis of article 13 of the EWC directive. The EWC had mainly served as a European platform and transnational channel for mediating the industrial relations principles that dominated in the parent company. The interviewees underlined the continuity between the AEC, the SNB and the new SE works council.

Support from European industry federation

The delegates appointed to the SNB were supported by the European industry federation UNI Europa Finance, which established a network and ensured a trade union support to those who were engaged in the negotiations. The negotiating body got support from trade union experts and a legal expert who provided solid contributions during the negotiations.

Style of social dialogue

A mutually accepted, actively supported cooperative and consensus-orientated industrial relations culture had already developed in the AEC. At European level there are still very similar types of relations between central management and the SE works council.

The negotiation process of employee involvement

Initiation process

In November 2005 UNI Europa Finance published a first statement regarding the adoption of the legal form of a European company. The statement already included the basic claims from the trade union side.

On 22 February 2006, trade unions and workers' representatives established a platform to coordinate their activities in the Allianz Group under the umbrella of UNI. The network met again in September 2006 before signing the SE agreement in February 2007. The network aimed to develop a joint strategy at transnational level and to agree on common positions before meeting with central management.

As to the motivation, the management states that Allianz has changed its corporate governance structures to better reflect its international and European dimension and to further increase its efficiency. Moreover, the SE status is expected to ease cross-border mergers. According to the employee representatives, the participation rights might represent an important tool in facing the extensive transnational restructuring that is taking place within Allianz and its subsidiaries.

The negotiation process on employee involvement in the process of establishing a SE

Table 4: *Composition of SNB and negotiation process; allocation of seats in the SNB*

Country	Seats	Country	Seats
Austria	1	Italy	1
Belgium	1	Latvia	1
Cyprus	1	Lithuania	1
Czech Republic	1	Luxembourg	1
Denmark	1	Norway	1
Estonia	1	Poland	1
Finland	1	Portugal	1
France	2	Slovakia	1
Germany	6	Spain	1
Greece	1	Sweden	1
Iceland	1	The Netherlands	1
Ireland	1	United Kingdom	1
Total			30

A smaller negotiating committee was composed as seen in Table 5.

Table 5: *Smaller negotiation committee*

Country	Seats
Germany	3
France	1
United Kingdom	1
Italy	1
UNI Europa Finance	1
Total	7

Negotiations had a clear roadmap that was fully respected. Negotiations lasted six months, from the end of March 2006 to the end of September 2006. The SNB met in March, June and September. In between there were several meetings between the smaller SNB negotiating committee and central management. Negotiations turned out to be very complex considering the range of subjects and the geographical scope, so that the employee side needed to organise itself on three levels: a European-level trade union coordination led by UNI Europa Finance, a special negotiating body appointed in accordance with the European and national rules, and the negotiating committee composed of seven representatives. UNI was part of the SNB. The negotiation process started with discussions on the draft agreement submitted by the company to the SNB. The SNB was able to achieve certain changes in the company's approach, for example by introducing a preamble dealing with fundamental rights. Before the start of the negotiations, the employee side, coordinated by UNI Europa Finance, agreed on a set of common demands.

The agreement on employee involvement - the Allianz SE agreement

Employee side and management agreed from the very beginning that the principle of codetermination and an equal representation of employer and employee representatives on the supervisory board had to be maintained and that the facilities provided to the SE works council to enable the representative body to carry out its duties should be improved compared to those of the EWC.

The SNB worked on three main topics, which then also represented the basic structure of the agreement:

- a preamble fixing fundamental rights;
- the shift from the EWC to the SE works council;
- employee participation on the supervisory board.

The preamble aims at offsetting the gap in national legislations concerning the different levels of employees' protection. In certain countries, employees might be able to benefit from the principles fixed in the preamble. The aim of the preamble is also to enlarge the range of trade union issues subject to the social dialogue – equal opportunities, non-discrimination, freedom of association, child labour, etc. The SNB realised that the right of association and the right to collective bargaining are not self-evident in certain countries. Thanks to the agreement, Allianz SE stands by the goal of the concrete application of quoted rights in the group's premises. However, the agreement does not affect higher protective rights set at national level.

The formerly existing EWC is replaced by the SE works council. Rules governing it go beyond the subsidiary standard rules and improve the previous EWC agreement. Among other things, the new agreement provides for the right to set up sub-committees, as well as a steering committee of five representatives. The SE works council can participate in defining guidelines in the areas of equal opportunities, work and health protection, data protection and training and education policies. Furthermore, a link between the supervisory board and the European body of interest representation is foreseen: the employee representatives on the SE supervisory board as well as two representatives from the European-level trade unions represented within the Allianz Group can be invited to participate in the SE works council's meetings. According to the agreement, there will be regular meetings twice a year. The total number of meetings, including extraordinary meetings, should not exceed four within one calendar year. It is also worth noting that the exercise of information and consultation rights in exceptional circumstances that have material effects on the interests of the employees should be aimed at achieving an agreement. Finally, the council is also entitled to inform employees in off-shore companies about the content and outcome of the information and consultation procedures if these employees will be affected by the relevant topic. These aspects represent an added value of the transnational social dialogue in Allianz.

The final chapter of the agreement deals with employee participation at supervisory board level. It was decided to retain the German codetermination system, which existed in the previous Allianz AG. For many of the delegates, supervisory board-level participation has been something new. It was agreed that the supervisory board must be made up of employee and shareholder representatives in equal measure. It was agreed to reduce the size of the supervisory board from 20 to 12 members. Thus, six employee representatives have a seat on the supervisory board. The distribution of the seats is determined as follows: four seats for Germany, one seat for France and another one for the UK. The German delegation includes a representative from the European industry federation, UNI-Europa Finance. In the view of the Italian representatives, the Allianz SE represents a way to enrich the trade unions' experience with a new and more articulated approach.

The reduction of seats for employees fell together with the enlargement of the geographical scope of participation rights. Employee representatives in the SNB underlined that six seats imply an under-representation of employee interests, as

the transnational dimension of the workforce cannot be properly represented with a small number of seats. The management, though, stated that a smaller committee would meet the needs of fast moving markets and appropriate internal decision processes.

The representation body (SE works council)

The Allianz SE works council represents the interests of European Allianz employees. According to the SE agreement signed in 2006 the structure of the representative body by countries was as follows:

AT (2), BE (1), CH (1), CZ (1), Scandinavian and Baltic states (1), DE (10), ES (2), FR (3), GR (1), HU (2), IE (1), IT (3), LU (1), NL (1), PL (1), PT (1), SK (2), UK (3).

Currently, it consists of 30 employee representatives from 26 EU Member States, signatory states to the European Economic Area and Switzerland. The SE works council is chaired by a German employee representative.

The SE works council meets twice a year. There can be up to four meetings, including extraordinary meetings. UNI Europa Finance may participate in the SE works council meetings with two representatives in the role of experts.

The composition of the executive committee is as follows:

Germany	1
France	1
Slovakia	1
United Kingdom	1
Austria	1

Furthermore, a representative of UNI Europa Finance is invited to the meetings of the executive committee. The German, British and French members of the executive committee are also members of the supervisory board.

The experiences of the work in the representation body / role of the SE works council in company development

The SE works council was informed and consulted on several items in its two regular sessions in 2009. Besides the business situation and prospects of Allianz in Europe, the items discussed included cross-border operational strategy (e. g. the implementation of the new Target Operating Model (TOM) in the group's operational entities, the new distribution initiative (strategic workforce planning), cross-border activities in Europe (e. g. Allianz Global Investors, Cominvest integration) and other cross-border topics (e. g. completion of Dresdner Bank AG sale and establishing Allianz Bank).

On several occasions the SE works council's executive committee was also informed and consulted on an ad hoc basis, e. g. with regard to the set-up of a global real estate platform. In the view of the management, the constructive dialogue with the SE works council has helped to build a good mutual understanding of the challenges ahead and ensured a productive cooperation between management and employee representatives at Allianz.

SE works council and national interest representation bodies

With regard to the relationship between the SE works council and national structures of interest representation in Germany, the setting up of the SE works council had no impact on the competences of the national employee representation bodies.

SE works council and EWC structures

The pre-existing EWC was the Allianz European Committee (AEC). A considerable number of former AEC members have also become members of the new SE works council. In the interviewees' assessment this continuity is considered a positive aspect as it contributes to a good functioning of the representative body. While the AEC was considered a weak EWC, the SE works council has stronger rights and is considered to be more influential and effective.

However, the coordination between the SE works council and national structures of interest representation is considered as a critical point and a major challenge for the future.

Board-level representation

The Allianz SE is characterised by a two-tier board structure. The supervisory board has been reduced from 20 to 12 members. The employee side is composed as follows: Germany (4), France (1), United Kingdom (1).

The German delegation includes a representative from UNI Europa Finance.

The last election of the supervisory board took place in 2007 for a term until the end of the ordinary general meeting in 2012.

The supervisory board is responsible for appointing the members of the board of management, and determining their remuneration. The supervisory board holds four regular meetings in March, in April or May, in September and in December. Additionally, extraordinary meetings may be convened as needed. The supervisory board takes all decisions based on a simple majority. The special decision requirements for the appointment of members to the board of management as stipulated in the German codetermination act and the requirement for a conciliation committee no longer apply to an SE. In the event of a tied vote, the casting vote lies with the chairman of the supervisory board. The chairman of the Allianz SE supervisory board may only be a shareholder representative.

The Europeanisation of board-level representation

On the employee side three countries are represented, Germany, France and United Kingdom. The European-level supervisory board has meant a loss of the importance of national board-level representation, especially in Germany, in favour of a pan-European perspective and representation.

The discussion on the need for signing a joint declaration on social dialogue that defines principles to be applied in the case of restructuring processes is an example for the development of a European identity.

General evaluation

The added value of social dialogue and employee involvement in SEs

On the basis of the interviews carried out, the most positive experiences of employee involvement in the Allianz SE seem to be the following:

- the setting-up of a trade union network coordinated by UNI Europa Finance;
- the right to inform employees in off-shore companies has already been used. A delegation of employee representatives went to India in order to meet Indian employee representatives;
- discussion on the need for signing a joint declaration on social dialogue that defines principles to be applied in the case of restructuring processes.

The interviewees also consider the preamble to the agreement an added value. In the preamble the company pledges to promote social dialogue at global level and to respect international norms such as the International Labour Organisation's core labour standards, the principles underlying the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises.

Assessments of key actors

From the point of view of employee representatives, worker participation in the Allianz SE constitutes an important step forward compared with the previous experience of the AEC. Certain experiences seem to indicate a possible tendency towards a true Europeanisation of interest representation.

In the view of most interviewees from the employee side, the effectiveness of the employee involvement at European level has however still to be improved. Interviewees, for example, criticised the information flow between employee representatives on the supervisory board and the SE works council.

Furthermore, there seems to be a need for a more efficient coordination between the European level and national structures of interest representation, which the employee representatives have to take care of.

According to the management, the SE is the latest evidence of broader cultural change at the Allianz Group. In the view of the management the governance and legal structure is catching up with the reality of Allianz having become an international financial services provider with a European home market and German roots. Thus, the Allianz SE reflects the group's development in recent years.

Sources and interview partners

Beside general information on the company, the SE agreement on employee involvement at Allianz SE, and the Agreement on the Allianz European Committee (as of July 1996), this case study report is based on interviews with a member of the management of Allianz SE, a German member of the SE works council and supervisory board, a UNI Europa Finance/ver.di representative as a member of the supervisory board, a Fisac-Cgil representative and a Fiba-Cisl representative as members of the Allianz SE works council, as well as an Italian trade union representative in charge of Allianz in Italy. Interviews were carried out in February and March 2010 in Munich, Berlin, Milan and Rome.

Reference

Allianz Group, *Annual Report 2009*, Munich, 2010.