



EWC case studies

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Company profile

This case study reports on the operation of the British American Tobacco group's European Works Council known as the European Employee Council (EEC). The report is based on documentary material on the company and the EEC, plus interviews with those inside and outside the EEC in the group's home country, the UK, and in one subsidiary country, Germany.

The British American Tobacco (BAT) group is over one hundred years old. It is the world's second largest quoted tobacco group with a market share of 14.6%. It has more than 300 brands in its portfolio and claims to make the cigarette chosen by one in seven of the world's one billion adult smokers. The four global drive brands are Dunhill, Lucky Strike, Kent and Pall Mall. The group claims 'robust market positions in each of its regions and has leadership in more than 50 of the 180 markets where (it) does business'. BAT has 85 factories in 66 countries, processing some 660 million kilos of leaf and producing around 777 billion cigarettes in 2002. Its companies, including associate companies, employ more than 85,000 people worldwide.

The group has a five-region structure: Europe, Africa/Middle East, America-Pacific, Asia-Pacific and Latin America. In 2002 Europe constituted 30% of BAT cigarette sales and contributed 20% to its operating profit. The group also has some global functions, one being research and development. There are R&D centres in Canada, Brazil, Germany and the UK.

BAT has manufacturing and supply chain organisations in many European countries including the UK, Germany and the Netherlands. It has marketing operations and commercial offices in all EU countries.

The EWC

The BAT EEC is a relatively well-established institution. It can trace its history back to 1996 when a BAT EWC was set up as an Article 13 agreement. At this time BAT was a more broadly based group, which included a number of insurance businesses such as Eagle Star and Allied Dunbar, as well as its tobacco businesses. In subsequent years there were two relevant developments. First, BAT divested itself of the insurance businesses and second, in 1999, it merged with Rothmans. The latter development was particularly significant in terms of the evolution of the EWC. Rothmans came with its own EWC. This necessitated amendment to the original 1996 agreement setting up the BAT EWC. In 2000 an amended agreement, under which the current EEC operates, was signed.

The formal features of the EEC as set out in the agreement are presented in this section. More details on the way in which these features have been put into practice are discussed in subsequent sections.

The EEC was established as a forum for consultation and the exchange of information. The agreement states that:

The parties believe that the interests of the BAT group and its employees are furthered by the provision of information and consultation in the spirit of mutual understanding between the management of the BAT group in the EEA and Switzerland and employees' representatives on applicable transnational matters directly concerning employees.

The scope of the EEC is defined as covering issues and matters of a transnational nature which 'directly relate, to a considerable extent, to BAT employees in two or more of the countries embraced'. The agreement specifies a number of subject areas which will be covered by EEC meetings including the performance of the BAT group in the EEA and Switzerland and the commercial factors affecting its operation and significant transnational developments that have a

significant and direct effect on the employees' interests. Aspects of business performance are seen to include 'financial, production, sales, employment and market trends and developments, training, environment and non-local health and safety matters of a transnational nature'.

The agreement makes a number of clear and firm distinctions defining the scope of the EEC. First, it states that matters which do not affect the interest of employees to a considerable extent in more than one country will continue to be covered by country- or establishment-level consultative arrangements. Second, it stresses that the EEC will not deal with matters such as terms and conditions of employment, local or workplace health and safety issues, or individual or collective disputes or grievances. Third, it provides a clear definition of 'consultation', which is seen to mean 'the establishment of a dialogue and exchange of views'. Collective bargaining or co-determination is explicitly precluded, given that 'these matters are the prerogative of national laws, where applicable'. The agreement does, however, provide a qualified undertaking to inform the EEC about decisions in a timely way. So 'unless there is an exceptional reason for not doing so, information will be provided and consultation will take place before a final decision is taken and implemented'.

Employee representatives are bound by a confidentiality clause stating that 'any confidential information which is provided at or in connection with any EEC meeting shall not be disclosed'.

Employee representation

The agreement recognises that employees in BAT operating companies in each of the countries will be represented by elected representatives. The distribution of seats reflects the numbers of workers employed in the country:

<i>No. of employees in country</i>	<i>No. of employee reps</i>
100-500	1
501-1500	2
Over 1500	3

Where a BAT group business sector has fewer than 100 employees working in a country, it is represented by employee representatives from another country.

In total there are 16 employee representatives. The distribution of seats by country is noteworthy in allowing employee representation from a non-EU Member State (Switzerland)

<i>Country</i>	<i>Representatives</i>
UK	3
Belgium	2
France	1
Netherlands	2
Iberia	1
Greece	1
Ireland	1
Switzerland	2
Germany	3

Finland, Sweden and Norway are represented by another employee representative. Employee representatives are elected on a four-year cycle.

Employee representatives are allowed to elect or select a representative from their number to act as their senior coordinator. The employee representatives are also allowed to elect or select two from their number to act as coordinators.

The coordinators' activities include:

- discussing with a central management coordinator the administrative arrangement for EEC meetings;
- agreeing with the management coordinator the appropriateness of the subject matter for special meetings of the EEC (see below);
- in the case of the senior coordinator, acting as chairman of pre-meetings of employee representatives.

The agreement does allow for a representative from the European Federation of Food, Agriculture, Tobacco and Tourism to attend as an expert for the employee side.

Outcomes and impact

The BAT case study is an example of a mature EWC, which over a number of years had come to provide the basis for fairly regular interaction between employee representatives and management. This interaction is taking place on an increasingly wide range of issues. Trust began to develop and the need for this interaction and its outcomes were increasingly factored in to the way HR managers across the EU communicated with staff and how line managers handled issues. More specifically, a number of key features of the EEC can be highlighted:

- Constitutionally the EEC is a fairly inclusive and influential body. This inclusivity was reflected in the participation of representatives from Switzerland and by preparation for the involvement of the accession countries. In terms of influence the agreement is clear that the EEC is not a negotiating body, but a forum for the provision of information and consultation. However, an undertaking is provided to engage in this before decisions are made, wherever possible.
- Corporate support for the EEC is suggested by a small but symbolically significant provision of a £5,000 emergency fund for employee representatives to spend on related matters.
- Although full meetings of the EEC are only scheduled once a year, special meetings have been regularly convened. Of equal significance are meetings with the three employee coordinators. These are held with considerable frequency and it is clear that these coordinators were taken into the confidence of management, received a substantial amount of information, and were regarded as a 'sounding board' by management for transnational developments.
- As a longstanding EWC, a degree of trust had developed between the members. There were signs that this was increasing management's preparedness to take a wider range of issues to the EEC.
- One of the EEC's most striking features is the way in which it has become a vehicle for broader campaigning on industry issues. The EEC representatives in particular had been used by wider employee campaigning groups as a channel for mobilising support in different countries on EU Directives affecting the sector.
- While the EEC had not provided a forum for the development of EU-wide HR policies, the 'visibility and transparency' the EEC lent to issues, facilitating, for instance, comparisons across countries, was generating debate about the possible value of framework agreements across the region.

Ongoing issues

Despite, or perhaps because of its maturity, a number of concerns, limits or tensions were still apparent in the operation of the EEC:

- The EEC did not appear to have much meaningful influence over decision making. While not a decision-making body, it was designed as a forum for consultation providing at least the potential for influence over decision making. There was no evidence that such potential had been realised.
- It maybe that the coordinators had some more influence in this respect. However, this raises questions about how the coordinators interact with the whole of the employee side, how the coordinators report back to it and how accountable they are to it.
- It is perhaps ironic, given the fact the EWCs are meant to deal with transnational issues, that in BAT there were suggestions that the EEC was more likely to impact tangibly on domestic employment relations. Information gained on development in other European plants could be used as a lever in local negotiations while access to, and informal contact with, key management figures at EEC meetings could be used to progress national concerns.
- There appeared to be some difficulties in engaging the wider workforce with the EEC. There seemed to be a lack of interest among workers in the two countries covered, albeit for perhaps different reasons. In the UK there are some signs of apathy with more local interests being uppermost in the employees' minds, while in Germany the EEC is perceived to have little power.
- While the employee members seem to be working well together, some tensions in relations between representatives in approaches to issues, particularly closure, were apparent. Such tension may increase in the future with the inclusion of representatives from the accession countries (see below).

Future developments

Major changes are not envisaged in the operation of the EEC. The agreement was up for review in 2003 but substantial revisions were not expected. However a number of possible developments are worth raising:

- The major constitutional change is the inclusion of representatives from the accession countries.
- This has a couple of potential consequences. It perhaps raises issues about the size of the EEC and the ability to conduct business in a larger forum. In substantive terms it might internalise some tensions over future investment plans between representatives from east and west Europe.
- It will be interesting to see whether the EEC can become a forum for the development of a framework agreement.
- Plans to provide training for employee representatives may well develop as a means of helping them play a more active role in the EEC.

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