



# EWC case studies

## The Bayer Group

*Company profile*

*The EWC*

*EWC process*

*Outcomes and impacts*

*Future developments*

EWC case studies are available in electronic format only.

## Company profile

The Bayer Group has a 140-year-old history. In 1863 the Friedrich Bayer Company for aniline-dye production was founded in Wuppertal; in 1881 the company was converted into a joint-stock company, and in 1912 its headquarters were moved to Leverkusen. Aspirin, the most famous Bayer brand, was introduced as early as 1899. In 1925 the Bayer Group merged with the biggest German chemical enterprises and became the I.G. Farben AG. After I.G. Farben was dissolved by the Allies, the new Bayer AG was founded in 1951.

Today Bayer AG, with headquarters in Leverkusen, is a globally active enterprise in the chemical-pharmaceutical industry with about 120,000 employees. It is represented by about 350 companies on all continents. The main emphasis of its activities is in Europe, North America and the Far East. Europe is considered the home market as it accounts for 45% of the group's total turnover.

The takeover of Aventis CropScience in 2002 was the biggest acquisition in the history of the group. Far-reaching restructuring is turning the Bayer Group into a strategic management holding with four legally independent operative subgroups and three equally independent service companies. Simultaneously, far-reaching programmes to increase efficiency and cut costs are being implemented. Cost savings of EUR1.8 billion by 2005 and a reduction of several thousand staff are planned; the closure of about 15 production centres has been announced.

## The EWC

The Bayer European forum was set up in 1991, based on a written agreement between the company works council and Bayer AG's central management. It can therefore be counted among the pioneering EWCs (Kerckhofs 2002). The agreement encompassed the big Bayer production companies in England, Belgium, France, Italy and Spain, as well as Bayer AG, the parent company at that time. On 4 October 1994 the 1991 agreement was replaced by an agreement between the group works council and the central management of the Bayer Group. The scope of the agreement was extended particularly to include the German subsidiaries and the foreign distribution companies.

It was uncertain whether a European Works Council within the framework of the EWC Directive could be set up on the contractual basis of a German group works agreement. So the foreign employee representatives were included in the negotiation procedure as follows: first the negotiation results were fed back bilaterally to the employee representatives in several European countries; subsequently there was a unanimous vote in favour of the agreement text at the employees' preparatory meeting of the European forum in 1994. This 1994 agreement, including further elaborations, additions and changes is still in force today.

## EWC process

Three central factors have influenced the development and working style of the EWC:

- general political background;
- structure and development of the company;
- labour relations in the company's home country.

## Political background

Two political events were formative during the development of the Bayer European forum (BEF): the adoption of the EWC Directive in September 1994 and EU enlargement.

The BEF is a pioneering EWC. It was founded before the adoption of the EWC Directive, in the phase of ‘real voluntariness’. Moreover there was very little experience in the establishment and practice of European employee representation committees at that time. Both influenced the setting-up process in the direction of avoiding uncertainty, of a joint learning process, and of a cautious approach to contents of agreements – resulting in a purely information body of mixed composition, in order to stress its cooperative character, and initially limited to the European production centres.

The adoption of the EWC Directive led to discussions among the employee representatives of the BEF about a renegotiation of the EWC agreement. This was rejected in order to avoid the negotiation procedure stipulated by article six of the EWC Directive. However, backed by the EWC Directive and on the basis of previous experience, the employee side was able to achieve essential improvements, which were added to the existing agreement in the form of additional protocols.

EU enlargement forces the BEF to include delegates from the new member countries.

### **Structure and development of the group**

Bayer is a strongly diversified group. The interests of the EWC members in information and topics are accordingly very diverse, which complicates the work of the BEF. Nevertheless the establishment of branch EWCs in the subsidiary companies, which were being set up in the course of restructuring, was rejected both by the employees’ and the employer’s side. Though the management of individual subgroups expressed the wish to introduce branch EWCs, central management rejected this, because it feared that an additional representation level might thus be created, as the Directive would have forced Bayer to maintain the BEF at group level anyway. As an alternative it was made possible to include directly concerned parties in meetings of the joint committee (the so-called extended joint committee) if necessary.

Bayer is a globally operating group with a continuously strong German focus. The main emphasis of its production and employment is clearly in Germany. Worldwide, Bayer’s employee numbers are 123,500, with 71,200 in Europe including 51,900 in Germany (1/11/2002). This is reflected in the membership structure of the BEF: though the German delegation on the employer and on the employee side is proportionally under-represented,<sup>1</sup> the German delegation can outvote the others on the employee side, because the votes are weighted according to staff numbers. According to the standing orders of 4 October 1994, the German delegation holds 316 votes (Bayer AG: 220) out of 435.

The takeover of Aventis CropScience led to greater changes in the structure of the EWC. At the 11th meeting of the EWC, 11 delegates of the newly acquired company were invited as guests.

### **Labour relations in the home country**

An important impetus for the voluntary setting up of EWCs or European information bodies in large German chemical concerns was given by the German social partners of the chemical sector in the 1990s. In 1990 the latter signed a general agreement initiated by the IG CPK (the present IG BCE). Those ‘notes on works council contacts at the European level’ had a purely advisory character but had a real effect. In the time immediately following the general agreement, information bodies were established not only at Bayer but also at Hoechst, BASF, and Continental. The agreement between the social partners suggested a pragmatic and deliberate beginning of European labour relations. This approach was also adopted by Bayer.

---

<sup>1</sup> The attachment to the standing order of October 4, 1994, contains the following distribution: the German management is represented by eight (Bayer AG: five) out of 27 delegates, the German employee side is represented by 15 (Bayer AG: 10) out of 46 delegates. Due to subsequent changes in the numbers of staff, the distribution of seats has even shifted slightly to the advantage of the German delegation (2002: 16 out of 45 delegates on the employee side).

The IG CPK was not only decisively involved in the coming into being of the social partner agreement, but also played a decisive part in the materialisation of the EWC agreements in the four large concerns mentioned above. The influence of the European workers' federation EMCEF and the responsible German branch trade union IG BCE on the development and practice of the BEF is less strong by comparison. It is the internal actors and the labour relations in the companies that influence the development and practice. The cooperative labour relations philosophy at the company headquarters serves as a role model for the cooperation of the employer and employee side in the BEF.

### **Meetings**

The BEF holds one meeting per year. Extraordinary meetings of the BEF are not provided for by the agreement and have not taken place so far. The general meeting of the BEF lasts one day. On the day before there are separate meetings, but as a rule the employer and employee representatives meet for dinner in the evening. The Bayer management is represented by high ranking members, usually by the CEO and the 'labour director' (the board member in charge of Human Resources). Although the BEF agreement provides for a joint procedure, the agenda is determined to a large degree by the employee side.

The BEF chairperson keeps in close informal contact with the contact person for the BEF in central HR management. Moreover, the joint committee serves as a central communication instrument between the annual BEF meetings.

### **Costs**

The agreement settles the question of costs only as far as meetings are concerned but not the provision of additional work resources, for which there are only informal arrangements. In the course of the further development of the group works council agreement in 1997, the possibility of consulting an expert at general and preparatory/evaluation meetings of the European Forum was agreed through a protocol note. In view of the scarcity of resources, a large proportion of the EWC correspondence is dealt with by the Leverkusen company works council office, whose full-time director has been put in charge of the organisational aspects of the European Forum.

Central management has promised informally to allow the delegates a certain amount of time for their tasks within the European Forum, at least for the preparation and communication of relevant information, but this has not been put into practice completely. Necessary translations on the spot, in the context of communication and information exchange between delegates, are financed by the employer side. Resources for training courses are not provided. The EWC chairperson would like to push the implementation of training courses by means of EU subsidies, arguing that central management should contribute by granting the delegates leave for the duration of training courses.

## **Outcomes and impacts**

### **Employees**

From the point of view of the employee side, the BEF has no influence, in principle, on the outcome of management decisions. The BEF is not included in the decision-making process itself, but only in the implementation and translation process of a decision. For example, an extended joint committee meeting took place with 28 participants in order to discuss the impacts of the newly emerging structure of Bayer CropScience.

In the case of the centralisation of accounting in two big European centres, a study that was prepared to support the decision-making process was presented to the BEF when the decision had already been made. The presentation and discussion of the study served merely to ensure acceptance. Nevertheless, and except for the question of timeliness, information and consultation have by and large worked reasonably well, in the view of the EWC vice-chairman. A questionnaire presented by the EWC was answered in writing. The question of employee concerns and social consequences have been debated internally and with management as well as the implementation directives, including the

respective job descriptions and qualification requirements. Management guaranteed the continued payment of previous net salaries in case of transfer.

### **Management**

The Bayer management uses the EWC as a committee to communicate the necessity of central management decisions and, by so doing, to increase the acceptance of measures that involve negative consequences for the staff. The use and impact of the BEF are, above all, on the level of culture and values. The BEF is part of a process of international enterprise development, since Bayer is traditionally deeply rooted in its home country and still has to learn how to achieve a global orientation. It is about the involvement of individuals in the BEF and about overcoming the national perspectives that predominate in many cases. In this sense the BEF is used as a HR instrument. Consequently the BEF had a positive influence on the integration of Aventis CropScience into the Bayer Group, since the representatives of the newly added company who participated in the BEF meetings and the extended joint committee, were given insights into the Bayer culture.

Also the Swedish HR management sees positive effects from the BEF in this respect. The employee representatives are better informed through their involvement in the BEF and understand the management perspective better.

On the other hand the BEF has no direct influence on corporate decisions. Nor does the management side wish that it did, because the implementation and translation of measures take place on the national level. On this level, according to the BEF representative of the management side, the views of the employee side are taken into consideration.

### **Future developments**

The Bayer EWC is a body of information, communication, and agreement between the employee and employer sides as well as among employee representatives. Hard clashes over interests are avoided. Instead the employee side tries successfully to reach improvements gradually and, in particular, to improve the early and qualified involvement in restructuring measures step by step.

The institution of a joint committee of flexible size for the preparation and evaluation of the annual meetings, as well as for the information and consultation in extraordinary circumstances, is turning more and more into a central committee within the committee. The development of an intranet platform has further increased the effectiveness of employee information, communication and joint positioning. Attempts to form work groups on the employee side to tackle issues and problems more intensively have not been successful so far. The necessity of forming work groups or commissions should increase in future, given the heterogeneous company structure and the decision to do without branch EWCs.

**July 2003**