



# EWC case studies

## GlaxoSmithKline (GSK)

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## Company profile

GlaxoSmithKline (GSK) is a multinational pharmaceuticals group with corporate headquarters in the UK and operating headquarters in the US. Formed in December 2000 by the merger of the two leading UK-based pharmaceuticals companies, GlaxoWellcome and SmithKline Beecham, GSK is the second largest player in the industry worldwide with a 7% market share. Sales are spread roughly between one-third in Europe, one-third in North America and one-third in the rest of the world. GSK has over 100,000 employees worldwide, including over 50,000 in Europe. It has operations in all the pre-accession 18 European Economic Area (EEA) Member States (although the activities in Liechtenstein and Luxembourg are managed from neighbouring countries) and in all ten accession states.

The group is organised into five main business areas:

- pharmaceuticals;
- commercial (marketing and sales);
- consumer healthcare;
- biological (vaccines) manufacturing and supply;
- research and development (R&D).

Pharmaceuticals account for over 80% of sales, and there are pharmaceuticals commercial operations in all of the EEA and in the ten accession countries. Manufacturing operations in Europe are located in Belgium, France, Germany, Ireland, Italy, Hungary, Poland, Spain, the UK, and also Romania and Turkey. There are R&D operations in France, Germany, Italy, Spain and the UK. European-level management structures are found within the businesses; there is no European level in the group-wide management organisation. There is a European-level management structure in Pharmaceuticals, Commercial, Consumer healthcare and Manufacturing and supply, which is part of a global supply network. R&D is globally organised. Cross-border sourcing of products is a key feature of the global manufacturing supply network.

Current employment in the EEA is around 45,000, and was due to rise with EU enlargement to nearly 48,000. In addition the group has sizeable operations in Romania and Turkey. The largest operation is in the UK, which employs some 23,000. There are over 5,000 employees in France, over 3,000 each in Belgium, Germany and Italy, over 2,000 in Spain and over 1,000 in Ireland. Employment is under 500 in each of the other nine 'old' EEA member states. Among the accession countries, only Poland, with approaching 2,000 employees, has an operation employing more than 500. It is estimated that the European workforce divides roughly 60/40 between men and women.

In addition to interviews at group level, field research was also undertaken at a northern England manufacturing site and in the GSK subsidiary in Sweden. The UK manufacturing site is part of the European regional supply business stream, covering 15 sites spread across nine countries, within the GSK global manufacturing supply network. The site supplies products to more than 100 countries worldwide. Employment at the site is currently 1,250. However, this is changing as 400 redundancies have been implemented as part of a restructuring of the global manufacturing and supply network.

The GSK Swedish subsidiary is focused on the pharmaceuticals commercial business and involves marketing and sales and clinical trials of products. There is no manufacturing operation in Sweden and no major R&D site. There are 230 employees.

## The EWC

Both the companies that merged to form GSK in December 2000 had established EWCs under the provisions of Article 6 of the EWC Directive. GlaxoWellcome's agreement was concluded in June 1997 under Dutch law, and SmithKline Beecham's in May 1998, under Irish law. The two agreements were similar in many respects, reflecting the influence of the Directive's statutory fallback model, although there were some differences. GlaxoWellcome's agreement established a joint EWC, whereas SmithKline Beecham's created an employee EWC which met with central management. GlaxoWellcome's agreement also provided for a 'flatter' basis for employee representation on the EWC than was the case at SmithKline Beecham. There was no minimum threshold and there were high trigger thresholds for additional representatives from a given country. As a result the UK, with more than half the EEA workforce, had only four out of 23 representatives.

Faced with two EWC structures which were felt to be functioning well, neither management nor employee representatives in the newly merged company wished to start the Article 6 procedure from scratch in establishing a new European-level information and consultation structure for GSK. Instead it was decided at a special meeting of the two EWCs, one month after the merger in January 2001, to elect a 'special working group' of five employee representatives from each of the existing EWCs. They would meet central management representatives and prepare an agreement establishing a new EWC structure for the merged company. The group presented a draft agreement to a joint meeting of the two EWCs, constituted as a 'special negotiating body', in May 2001. This meeting duly endorsed the agreement and established the GSK European Employee Consultation Forum (EECF). Although the EWC Directive provides little guidance on procedure in cases of mergers, where EWCs already exist in the merging companies, the agreement is best regarded as an Article 6 agreement concluded under UK law which came into effect in January 2000.

The negotiation was described by both management and employee representatives as having been a relatively straightforward process, building on the experience and relationships established in the two former EWCs. There were two sticking points. First, the number of employee representatives: management preferred to stay with the limit of 30 specified in the Directive's fallback model; the employee representatives wanted increased representation for countries with larger workforces. The compromise reached was 31 representatives. Second, the employee representatives proposed twice-yearly meetings of the new Forum. The outcome was an annual full meeting but an increase in the number of meetings of the select committee, known as the Operating Sub-Committee (OSC), to four per year. The agreement will be automatically renewed after four years for a further four years, unless either side gives notice of intention to seek renegotiation or termination. It spells out the purpose of the EECF as follows:

*In keeping with the spirit of the EC Directive, the purpose of the Forum will be to share information and provide an opportunity for timely consultation, with elected representatives of the countries covered by this agreement, on the company's strategy and transnational operations as they affect the interests of employees in at least two countries covered by this agreement. This agreement will also provide the mechanisms for onward communications to all employees represented.*

The agreement covers all group operations within the EEA. It provides for a maximum of 31 employee representatives, according to a formula laid down in the agreement, currently distributed among the 16 countries covered as follows:

Austria	1	The Netherlands	1
Belgium	3	Norway	1
Denmark	1	Portugal	1
France	3	Ireland	1
Germany	3	Spain	2
Greece	1	Sweden	1
Iceland	1	UK	7
Italy	3		

The EWC representatives currently comprise 20 men and 10 women and there is one vacancy. The breakdown among the five businesses is as follows:

Pharmaceuticals commercial	13
Consumer healthcare	2
Biological	1
Manufacturing	11
R&D	3

R&D was said to be slightly under-represented in proportion to workforce size.

Key features of the agreement are:

- it establishes a joint forum;
- it complements national and local systems of information, communication and consultation; the priority that the company gives to timely information and consultation ‘in-country’ (national and local) is acknowledged;
- there is a relatively ‘flat’ basis for employee representation, deriving from no minimum threshold for country operations to have direct representation;
- where there is more than one representative from a country, balance is to be attained between the different businesses;
- there are senior management representatives from each of the company’s main businesses in Europe, one of whom chairs the forum; other managers attend as required by agenda items; country-level management do not routinely attend;
- there is a joint select committee (operating sub-committee) comprising five management and five employee representatives, with joint chairs one of whom is the chair of the forum, the other an employee representative;
- the EECF secretary appointed by the company, following consultation with the joint select committee chairs and the select committee, is responsible for forum administration;
- there is one meeting per year;
- there is provision for additional meetings of the full forum and the select committee in ‘exceptional circumstances’;

- the EECF is to be provided with information on ‘the business progress and prospects of the company. This includes information on those transnational issues concerning the company which substantially affect the interests of employees in at least two countries covered by this agreement.’
- there is a commitment to ‘timely consultation’;
- the agenda is drawn-up jointly, summary statements and minutes are jointly agreed;
- the select committee, which normally meets four times a year and whose meetings are conducted in English, is to be provided with information where exceptional circumstances arise; with specific reference to relocation, closures of parts of the business and collective redundancies which are part of a ‘linked programme’ across at least two countries;
- the employee side has access to experts at their pre-meetings (of the forum or select committee), to be agreed by joint select committee chairs;
- confidentiality applies to information provided by management which is identified as such;
- onward dissemination will be on the basis of a summary statement agreed by the select committee, with employee representatives and senior country management having responsibility for communicating locally.

The joint meeting of the two former EWCs in May 2001 to adopt the new agreement was also a full meeting with a substantive information and consultation agenda. The GSK EECF met twice in 2002 – for a training session in January and the annual meeting in May. The annual meetings take place in April. In addition to the four annual meetings of the Operating sub-committee (OSC), there have been two meetings in exceptional circumstances since May 2001. The five management representatives on the OSC are drawn one each from the main business areas, and are all European-level HR managers; the five employee representatives comprise three from the UK (two manufacturing and one consumer healthcare), one from France (manufacturing) and one from Germany (pharmaceuticals commercial).

## Outcomes and impacts

### Management

Overall, the EECF was seen by central management to be meeting the aims set out in the constitution: it gives employees and their representatives a view of the business across Europe by sharing information. Employee representatives have been consulted on European-level and cross-country issues, and a relationship of trust has developed. Information and consultation is timely, occurring before decisions are taken. The OSC (select committee) was seen to be functioning well; it acts as a funnelling mechanism sifting out issues and identifying the crucial ones that require action, such as an extraordinary meeting. Moving to four meetings a year enables ongoing provision of information on issues as they came up in the businesses. One of the management respondents said that doubts at the outset about the value of involving shop floor representatives at the European business level had been allayed by the experience of the EECF and its forerunners in practice.

Management’s approach is that since European level information and consultation is required legally, the process should be done well, ensuring that it adds value to the range of communication and consultation activity across the company. The EECF is seen to add value in terms of its industrial relations impact, although this was said to be difficult to quantify. The added value probably lay in preventative terms, i.e. in risk limitation, in avoiding unnecessary costs or damaging employee morale. As the experience of some high profile events in other companies showed when things were going wrong at European level, the impact can be extremely negative. Keeping the focus at the European level was important to the value added by the EECF to the wider consultation and communication picture. The EECF was described as a conscience: the company tries to respect people and deal with them properly, but managers and management systems change. Central management and the local manager at the UK manufacturing site made similar assessments.

Central management assess the EECF impact as minimal in terms of changing proposals. Local management in Sweden and the UK shared this view. However, its impact on the management decision-making processes has been much more noticeable. Management has to think differently about how a decision is made and a proposal put together, and to be more rigorous about communication. Proposals need to be thought through more thoroughly because they are going to go before employee representatives. Different parts of the business which shape proposals that need to go to the EECF are now aware that they have to consult, that the proposal will have to be justified to employee representatives and that they may get input from the employee side. It was observed that the impact of this process was probably not apparent to the EECF employee representatives. In contrast, management saw local consultation as having more impact on how things are done, with several examples being evident under the restructuring of the manufacturing and supply network.

Within the manufacturing and supply business, the impact that the EECF existence has on the process of taking a major decision was clear in the way that local consultation processes have to be coordinated with each other and with the European level. The role of the European regional supply HR team was said to have been enhanced, and a more structured form of networking across the manufacturing businesses in the UK took place as a result of the EECF.

In the Swedish subsidiary the view was expressed that the issues considered by the EECF were ones that the manager would probably be informed about through the relevant European HR team. Information sharing at the EECF then takes place at an earlier stage with local managers and employee representatives who need to be informed of developments that will affect the Swedish operation, such as the current IT project. In terms of impact on local industrial relations structures, the EECF was not seen to have had a noticeable impact on the process or substance of local information and consultation practice.

Although there are moves towards more coordination of aspects of HR practice across Europe, the view was that they were not driven by the existence or intervention of the EECF. An example cited was the northern European-wide training and quality programme for marketing staff.

### **Employee representatives**

The employee chair sees the EECF as largely meeting the objectives laid out in the constitution. If it has not met expectations, it has succeeded in the provision of early information on the company's plans. Although the employee side aspires to more influence, they view the legislation as not strong enough to empower them to secure fuller consultation than currently exists. On the other hand, pushing management too hard might rebound, resulting in reluctance on their part to share information to the same extent as at present.

The employee side's assessment of the EECF impact on management decisions accords with that of management, that the EECF has had little or no impact in changing management proposals or implementation. The ERs see themselves as being there to make sure that the company 'do things in the right way'. The EECF was said to help ensure that company proposals are thought through, rational and fair. And by continuing to challenge management through raising questions and pressing for information on alternatives to the proposals presented, the employee side is becoming better positioned to have some impact.

The EECF is seen to be about information rather than influence. As well as the limited nature of the consultation rights, this was also said to stem from the difficulty of defining an issue as 'transnational': if a bigger issue is dissected by management then the problems tend to focus on particular countries or sites, at which point the EWC's relevance as a consultative forum becomes less apparent. Whereas the EECF was seen to be useful as a source of early information, its capacity to exercise influence was minimal; this was a drawback since the EECF was perceived to lack 'teeth' as a result.

The one subject on which the EECF appears to have stimulated a systematic exchange of information is redundancy procedures and provisions, an exercise that was said to have revealed major national differences but to have increased understanding of these.

From the perspective of the Trade Union Representative at the UK manufacturing site, the EECF has not had an impact at local level even on major decisions such as redundancy. Employees and local trade union representatives are locally oriented and the prevailing view is that the only place with an impact is site level. Something significant needs to be delivered by the EECF for the workforce and representatives to see it as relevant. However, the EECF was seen to be a useful mechanism as a source of information on business plans beyond site level. This was particularly important given the absence of effective statutory information and consultation rights in the UK, as compared with France and Germany, and the absence of UK company-level industrial relations structures. Employee representatives in the UK were probably not able to use the EECF as effectively as they might; more conscious deliberations were needed among employee representatives from the different sites on how best the EECF might be used.

In the UK, the EECF has prompted the establishment of the 'national forum for employee representatives' from the company's manufacturing sites although not yet in any formal IR structure above site level. The manufacturing forum was useful not only for the interface with EECF activity, but also in providing the opportunity for local employee representatives to discuss local developments and exchange information.

### Ongoing issues

Management and employee respondents identified as important two issues on which the two sides at the EECF have differing perspectives (as outlined above): the provision of earlier information on the alternatives being considered by management as it develops its business proposals; and dialogue at this earlier stage with the employee representatives on the OSC (smaller steering committee). For management, the requirement to inform and consult at European level has significantly affected the decision-making process, prompting preparation to be undertaken differently and more thoroughly. For the employee side and for employee representatives more generally, the EECF is largely viewed as an information mechanism, albeit a valuable one, rather than exercising influence over management decision making. Being able to demonstrate that the EECF can deliver something of major relevance at site level is seen to be important in raising wider confidence over the value of the European level information and consultation process.

For employee representatives beyond the EECF, delay is apparent in receiving answers from management to questions raised through their representatives on the EECF. It was suggested that some sort of fast track procedure was needed for dealing with questions within the remit of the EECF that come up at local and national levels in between annual meetings. Awareness of the EECF among local employee representatives is patchy, and is limited among the wider workforce. Local management in both Sweden and the UK appears to be well informed about the role and activity of the EECF. For local management in the UK it was not altogether clear, following consultation at European and site levels on a major issue, whether and on what procedural basis things are then fed back to the EECF.

Enlargement of the EU poses important challenges for the EECF. GSK has operations in all ten accession countries, and under the formula in the agreement each could be entitled to a representative on the EECF (Poland: two). But the agreement also specifies that the maximum number of employee representatives shall be 31, a ceiling which has already been reached. Resolving the issue is likely to become an important focus of negotiation between management and the employee representatives. Proposals such as introducing a minimum employment threshold in a country before it is entitled to direct representation on the EECF and grouping countries to create constituencies from which representatives are determined, entail changes to the agreement. They also raise wider issues of accountability back to the workforce in particular countries. Breaching the current ceiling of 31 representatives was recognised by both management and ERs

not only to have cost implications (which might also arise from additional translation and interpretation requirements), but also to have qualitative implications; a larger group becomes more difficult to operate as an effective working body.

EU enlargement will also increase the cultural, institutional and language diversity within the EECF, which, while not a new challenge per se, will increase the degree of complexity involved in transforming a group of employee representatives into a coherent body. In particular, the EECF would have to address how to integrate new representatives from countries that are largely unfamiliar with employee information and consultation through representative structures. Again, the problem is one of degree rather than kind, given the variation in employee information and consultation practice that exists among the countries currently represented and the turnover among ERs. So there is a need for ongoing training for both management and employee representatives to the EECF.

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