



Social dialogue

Case studies on social dialogue and HR practices in four European global companies

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European global companies](#)

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Contents

Introduction	1
ABB Case	3
Company profile	3
Unilever Case	15
Company profile	15
Danfoss Case	29
Company profile	29
UniCredit Case	37
Company profile	37
Annex: Interviewees	47

Introduction

This report contains the four case studies conducted in 2019 in the context of the research project on social dialogue and Human Resources Management (HRM) policies and practices in multinational companies (MNCs) published along with this Working Paper.

The case studies cover European global companies that have subsidiaries and workplaces in different EU Member States and include interviews with management representatives and employees at headquarter and subsidiary level. The case studies aimed to assess the existing links between social dialogue at the horizontal and vertical levels across different Member States. This assessment was carried out first by analysing practices and mechanisms of transfer (HRM) and articulation (social dialogue) within the multi-level system of governance in MNCs and, second, by identifying whether these are congruent in terms of both decision-making processes (top-down versus bottom-up processes) and the implementation of decisions, outcomes and practices (i.e. degree of local autonomy).

The case study research also includes an analysis of the extent to which HRM and social dialogue mechanisms are related and interrelated, as well as factors that influence their degree of interrelation (such as national industrial relations/social dialogue factors, company sector, company culture, company size, etc.), and the reasons for this.

The cases were selected from an initial long list of 20 companies and the final sample secures a mixed sample of MNCs, based on the following factors:

- **Sector and areas of operation:** three companies have strong manufacturing structures and only one company belongs to private services;
- **Size:** from a workforce of less than 30,000 to more than 150,000;
- **Nature and frequency of engagement in social dialogue and outcomes,** such as Agreements of a European Works Council and Transnational Company Agreements with a global and/or European scope;
- **Headquarter countries:** Italy, Netherlands/UK, Switzerland, Denmark.

As the following Table 1 shows, there are also similarities between the sample companies, such as three out of four companies having negotiated a pre-Directive EWC agreement and three out of four companies having negotiated transnational global framework agreements with global trade union federations.

Table 1: Details of the MNC sample of the cases

Company	Sector	Size	Headquarters	EWC	TCA
UniCredit	Finance	96,000	Italy	2007	Yes
Unilever	Consumer goods	158,000	Netherlands / UK	1995	Yes
ABB	Energy and automation technology	144,000	Switzerland	1996	Yes
Danfoss	Heating and cooling technology	27,800	Denmark	1996	No

Source: Authors.

Fieldwork consisted of questionnaire-based interviews with representatives of HR management and employee representation at headquarter level as well as at the level of subsidiary countries. In total, around 30 interviews were carried out between June and December 2019, covering 12 different EU countries.

All companies selected have established European Work Councils. Three out of the four EWCs already had a long history and were established in 1996 following the “Article 13 voluntary agreements”. The fourth, more recent EWC is that of UniCredit, which was established in 2007, at a time when UniCredit expanded its activities significantly in central and eastern Europe.

The following table 2 highlights key features of the composition, management and role of the EWCs.

Table 2: Organisational models of multinational companies

Company	Size and scope	Coordination	Consultation and negotiation role
ABB	27 delegates from 20 countries (representing 23 countries)	Select Committee with 6 members	Monthly meetings of select committee
Danfoss	31 delegates from 27 countries (including Non-EU/EEC countries such as Turkey, and Ukraine)	Steering Committee with 4 members	Monthly (Skype) meetings of Steering Committee with the management
Unicredit	35 delegates from 17 countries (including Non-EU countries such as Bosnia and Herzegovina, Russia, Serbia and Ukraine)	Steering Committee with 8 members from five different countries	Four EWC meetings a year and option for other meetings and informal contacts, for example using video conference or tele-conference facilities. In between plenary meetings there are meetings of the Steering Committee with the management
Unilever	36 members, representing a total of 19 countries	European Coordination Committee (ECC) with 8 members 'ECC Feedback Group' for day-to-day business	Specific forum of transnational interest representation is the D-A-CH Group (Germany, Austria, Switzerland) that comprises works council representatives of the three countries and meets every month with the D-A-CH management

Source: Authors

ABB Case

Company profile

ABB is a publicly-owned global company headquartered in Switzerland, operating mainly in robotics, heavy electrical equipment, power and automation technology and related corporate services.

The company was established in 1988 as a result of the merger of the Swedish ASEA and the Swiss BBC. It is listed on the Swiss, Swedish and US stock markets and with a share of nearly 11% (February 2018), the largest single shareholder is the Swedish *Investor AB* controlled by the Wallenberg Family. With 5.3% and 3.3% of the shares, the private equity investors *Cevian* and *Blackrock* are further important shareholders. All other shares are held by more than 400,000 shareholders, none owning more than the 3% threshold for public notification.

ABB operates in around 100 countries globally, with approximately 147,000 employees as at the end of 2018. With more than 46% of the global workforce, Europe still is the largest region in terms of employees for ABB, followed by the regions of Asia, Middle-East and Africa with around 29%, and the Americas with 24%. Germany, with more than 10,000 employees, Sweden (7,800), Poland (7,200) and Switzerland (5,300) are currently the largest single ABB countries in Europe.

With more than 300 consolidated subsidiary companies, ABB is a highly diversified and heterogeneous company.

Recent restructuring and changes in the company strategy

During the past 20 years, ABB has gone through several phases of restructuring and reorganisation as a result of financial crises, acquisitions as well as disinvestments and adjustments of the business strategy. ABB at the same time, from the early 1990s, started expanding into Central and Eastern Europe. By the end of 1991, the company employed 10,000 people in the region. The following year, the number doubled due to the acquisition of companies and outsourcing from Western European countries. A similar pattern was adopted by ABB in the Asia-Pacific region and the Americas.

Currently, ABB's business strategy is focused very much on global megatrends in the field of energy and power generation as well as robotics and automation technology. Besides the smaller acquisitions and disinvestments that have accompanied adjustments in recent years (e.g. acquisitions in fields such as power charging and storing technologies, hard and software for industrial automation and robotics) two large restructuring events took place recently.

In September 2017, ABB announced the acquisition of General Electric global electrification solutions business (GEIS) by June 2018. With around 12,000 employees, the GE industrial solutions business was integrated into ABB's Electrification Products (EP) division.

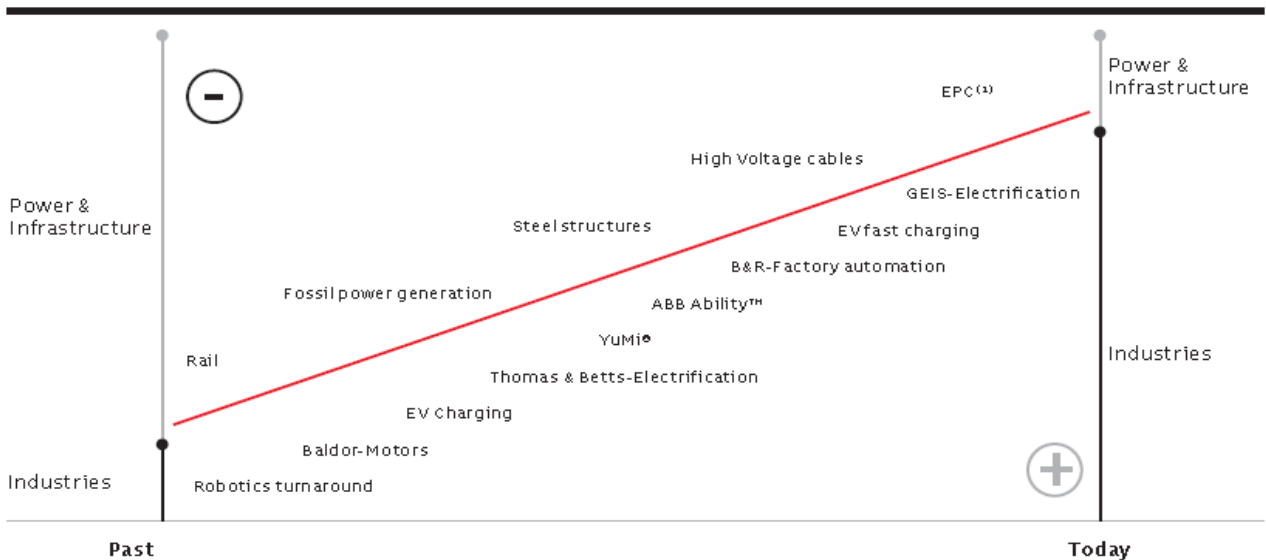
Further, in June 2018, ABB announced that it had agreed to sell 80.1% of its power grid division to the Hitachi group in Japan. The transaction is Hitachi's biggest-ever deal and will shift the focus of the company from nuclear plants to the higher-growth market for electricity networks. ABB and Hitachi announced that they will establish a joint venture involving the two companies, with Hitachi having the option of purchasing the remaining shares after three years.

This divestment, with a volume of 11 billion USD, is expected to complete in the first half of 2020 and will affect 35,000 employees worldwide, including 15,000 in Europe (the largest proportion

affected will be in Sweden, where half of the workforce is employed in the power grids business and will be affected by the transfer, i.e. around 4,000 workers). The figure below gives an overview of the change in business focus at ABB.

Figure 1: Changes in the business focus of ABB

Shifting the center of gravity



Source: ABB Annual Report 2018

The most recent changes in the business strategy have also resulted in significant changes in the management and the strategy of ABB. Due to pressure from the largest shareholders, the then CEO had to step down and an interim CEO took over in August 2019 until March 2020. Both the interim and future CEOs are Swedish managers, who are said to represent a more collaborative style of management and leadership than the previous CEO (a German manager).

The EWC

The EWC at ABB (ABB Employees Council Europe, ABB ECE) was established in 1996 as a voluntary Art. 13 Agreement¹ at the initiative of German colleagues, who also led negotiations with the management in Switzerland. There was no conflict or major difficulties in the negotiation process and management did not obstruct the initiative. One specific feature of the EWC at ABB ECE is that

¹ The so-called Article 13 Agreements are EWC agreements concluded on the basis of Article 13 of Directive 94/45/EC. This article refers to agreements in force and stipulates that EWC agreements concluded before the deadline for transposition of Directive 94/45 – that is, before 22.09.1996 – will remain valid also after this date. Article 13 granted the parties to the EWC agreement much more flexibility in terms of setting the rules of functioning of a EWC/alternative information and consultation procedures. After 22.09.1996 no further ‘Article 13 agreements’ could be concluded (until the entry into force of the Recast Directive 2009/38/EC). Nonetheless, already concluded ‘Article 13 agreements’ can be renegotiated/prolonged on the basis of Article 13 even after 22.09.1996. All new agreements establishing an EWC concluded after 22.09.1996 are referred to as ‘Article 6 agreements’, which means the negotiating parties need to respect minimum requirements laid down in the EWC Directive.

members from states outside the EU were also integrated as full members from the beginning. This was due to the fact that the company headquarters is located outside the EU (in Zurich) and the fact that other countries also play a major role in ABB (Norway, Switzerland, Poland and the Czech Republic).

The ABB ECE currently has 27 members from 20 countries, with 23 countries being indirectly represented (joint delegates from Benelux and the Baltic states). EWC business is run by a Select Committee of 6 members, which organises the daily work of the EWC, coordinates communication with and between national EWC representatives, prepares meetings and agenda issues, and represents the EWC in meetings with management.

According to the ABB ECE headquarters representatives, EWC practice has an increasing influence on company policy and labour relations. This reflects the increased role of transnational decisions on employment-related issues and intensified consultation procedures with employee representation at EU level.

It should be noted that the German central works council plays a major role in the coordination of EWC policy and practice, including day-to-day communication with the central management and local ABB ECE members.

HR policies and procedures

ABB has experienced significant changes and reorganisation of HR policies and organisation that reflect the changes in company strategy and business orientation summarised above.

Significant impacts on HR policy as well as national employment and transnational restructuring resulted for example from the "White Collar Productivity Programme" that was launched in 2015. The programme aimed to simplify support functions through the establishment of shared service centres or "Global Business Services (GBS)". These were expected to provide standardised and more (cost-) effective support in functions such as human resources, finance, information systems and supply chain management. The establishment of shared service centres was also driven by the motivation to increase the standardisation of major business service functions.

The creation of shared service centres was also a shift from country-based to the global management of shared services. In the field of HR business services, shared service centres or "Global Business Centres" (GBS) were established in Poland (Krakow), serving the European region, Mexico and China. Each centre has four main streams: recruitment, talent and learning, remuneration and administration. Employees in HR centres also ensure compliance with local legislation and HR policies as well as, from time to time, working on cross-functional initiatives.

In 2015 ABB also made an attempt to standardise practices in the field of labour relations. A Centre of Expertise in Global Labour Relations was established with the aim of introducing global tools and standards that were expected to help and guide management *'to create awareness of local labour expectations and requirements on all levels.'* According to an ABB report, the *"use of these resources has led to better decision-making and planning – and, critically, more timely and open communication during a time of uncertainty.'* (ABB, 2016, p. 36)²

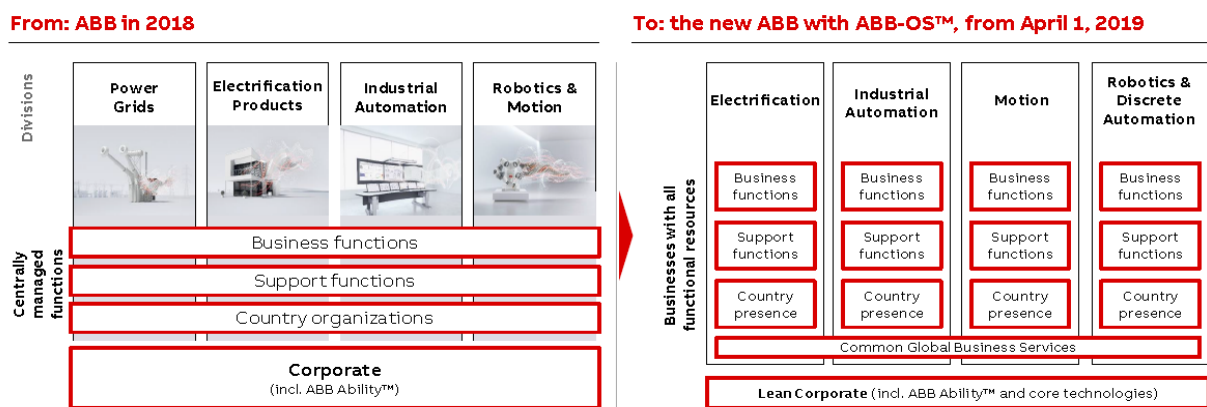
² ABB Sustainability Report 2016, p. 36.

The shift from country-related to multi-country HR policies has, however, not resulted in the abolition of country-related HR and labour relations functions within ABB. Issues such as remuneration, recruitment, training and career development are dealt with by HR Business partners at the national level.

The reorganisation of the company in 2019 also resulted in significant changes in the organisational structure of ABB and the movement from a matrix organisation to four global business units that will have comprehensive responsibilities for all functions.

This will also include HR functions that were previously organised across the different divisions but linked to country organisations, i.e. one HR structure per country. According to the new model, HR is organised along the divisions and it is unclear how the need to coordinate four different HR centres per country will be met. For an overview, see Figure 3 below.

Figure 2: From one matrix to divisional organisation



Source: ABB Annual Report 2018

According to interviews with national HR managers at ABB in the context of this study, there are a number of questions regarding the organisation of future HR functions at global and national level. Whereas in the past, country-level HR functions were organised in a horizontal way across all business units with a single ABB country HR manager, supported by regional (multi-country, e.g. for Europe) shared service centres, it will not be clear how country HR functions and in particular labour relations management (including collective bargaining, the negotiation of social plans or other country specific social dialogue outcomes) will be organised in the future. It is also unclear how specific HR functions such as recruitment or company branding will be organised in a way that avoids competition between the different ABB business lines that may exist in a single country.

One effect of the new management organisation will also have a significant impact the European region: In the future there will be one single corporate HR function with a global scope and Europe as a distinctive entity will disappear. Whether this is realistic is extremely doubtful according to national HR Directors.

Linkages and interaction of HR and social dialogue

Transnational level

At ABB, social dialogue at transnational level in the context of restructuring-driven consultation processes and negotiations has resulted in an intensified interaction between the ABB ECE and global management as well as negotiations and agreements at transnational level such as the “European Appendix to ABB Social Policy” 2009 or the “Peoples Package” in the context of the “White Collar Productivity Programme” (see next section).

The basis of a quite strong interaction between the ABB ECE and the European management are the provisions relating to regular information and – in cases of restructuring – consultation processes in the EWC Agreement.

According to the Agreement, the 'ABB ECE will become an integral part of the communications structure and process within the ABB Group. The ABB ECE will, to a considerable extent, be a vehicle for extended communication across national borders on transnational matters affecting the interests of employees in Europe. Communication and dialogue shall contribute to a better understanding of the past, current and future business situation of ABB. In order to communicate efficiently (ABB will provide all ABB ECE members with access to Lotus Notes and the ABB Intranet.' (EWC Agreement)

Box 1. Relationship between the ABB ECE and the management according to the EWC Agreement

The EWC agreement contains quite detailed provisions as regards the relationship between the ABB EWC and the management:

- *'In order to ensure a continuous flow of information, there shall be regular meetings between the President and Vice President of the ABB ECE and the representative of the ABB Group Management.'* (EWC Agreement).
- The ABB ECE and the ABB Group Management will meet twice a year.
- In exceptional circumstances with considerable effects on employees in several countries, an extraordinary meeting, if the President of the ABB ECE and the Group management jointly agree.
- Plenary meetings will be chaired jointly by the ABB ECE President and the ABB Group Management. The management may invite other senior ABB managers to participate in the meetings.
- Though English is the preferred language of meetings, the ECE plenary sessions will be supported by simultaneous translation.
- The ECE may invite outside experts as observers to the plenary meetings as well as to pre-meetings; also an authorized union secretary of the ETUF (IndustriAll) may participate in the meetings.

Source: ABB EWC Agreement

In the event of restructuring, according to the Agreement,

'Consultation shall occur at a time, in a manner and with a level of content that enables the Employees' Representatives, on the basis of the information received, to give an opinion on the proposals forming the subject of the consultation, with an appropriate timescale so that this opinion can be taken into consideration by the community-scale undertaking or community-scale group of undertakings.' (EWC Agreement)

In addition to this standard procedure, which reflects the provisions of the EWC Directive, the ABB Agreement stipulates that:

'The consultation process must allow for the ABB ECE to meeting with central management and, if it has expressed an opinion, to receive reasoned responses to it.'

The agreement furthermore rules that:

- 'Information and consultation of the EWC shall, at the very latest, be undertaken at the same time as information and consultation of the national employee representation bodies.'
- In the case of limitations imposed on the disclosure of information because of stock market regulations or contractual confidentiality obligations, the ABB Group Management 'whenever possible' will inform the ABB ECE Select Committee or at least its President or Vice-President.
- In the event of larger number of employees being affected by a restructuring plan, the President and Vice President of the ABB ECE (in case of at least 50 employees affected) or all members of the Select Committee (in case of at least 100 employees affected) shall be informed before the measure is announced and the subsequent information and consultation steps agreed.
- Should the ECE President or the Select Committee request a meeting of the Select Committee, such a meeting shall take place within 2 weeks and shall be attended by representatives of the ABB Group management.

Restructuring and transnational agreements

Against the background of the increasing relevance of transnational decision-making within ABB, social dialogue at transnational level has become more important, according to interview partners both at the headquarter and the national level (see below for different assessments).

Although it hardly can be classified as a transnational agreement, one important outcome of transnational social dialogue has been a "European Appendix" to the ABB Statement on Human Rights.³ This appendix was signed in 2009 between the President and the Vice-President of the ABB ECE and the ABB Human Resources Director. It applies specifically to all companies and employees covered by the EWC agreement and includes provisions on minimum standards in the field of personnel development (annual qualification analysis conducted by each ABB company, every employee has the right for on interview with a management supervisor per year, access to further personnel development and training opportunities), respect of applicable working time rules, promotion of family and career and pensions and benefit rights according to relevant national regulation and collective agreements.

In situations of workforce reductions/adjustments, the *European Appendix* stipulates:

"ABB acknowledges its social responsibility towards its employees. Thus, ABB will seek all possible alternatives to dismissals, in consultation with employees' representatives/trade unions and in accordance with applicable laws, regulations and agreements with the objective to avoid dismissals. Restructuring will be undertaken in a socially acceptable way for the employees concerned wherever

³ See: "ABB Human Rights Policy and Statement", issued by the GF-SA Sustainability Affairs. Available at: <http://search.abb.com/library/Download.aspx?DocumentID=9AKK105061D0010&LanguageCode=en&DocumentPartId=&Action=Launch>

*possible and after consulting the respective employees' representatives/trade unions and in accordance with applicable laws, regulations and collective agreements."*⁴

In the event of conflict over the policy or its implementation, the ABB ECE President and the ABB Executive Committee member responsible for HR will come together to resolve the conflict.

In the context of restructuring and redundancies for economic reasons, cooperation with employee representatives and the ABB ECE was intensified by top-level management in Zurich.

One major recent example was the reorganisation of central functions in the context of the "White Collar Productivity Programme" 2015 that prompted significant changes in the workforces at national level. According to the ABB Sustainability Report, the ABB ECE as well as national employee representation bodies had an important role for the cushioning of workforce adjustments in this context:

'To assist the transition, our leaders have worked to engage regularly with the employees affected, with local works councils, as well as the European Works Council and with diverse local stakeholders. Despite sometimes difficult topics, the structured consultation and engagement processes helped to build trust between the parties and to address challenging issues openly and constructively.' (ABB, 2016, p. 36)

The ABB ECE and in particular its leadership (President, Select Committee) played an important role in terms of mediating the conflict that resulted across Europe from centralising functions and moving employment tasks from the national level to the new shared service centre in Krakow.

This was appreciated by the ABB management that in return offered a "people package" that included a job and employment support measures for those employees that were affected by the restructuring.

The "White Collar Productivity Programme" and its implementation has resulted, according to the ABB ECE president, in significant consultation processes with the European ABB management in 2015–2016.

Another major event that also included a very intensive consultation and negotiation process between the ABB management and the ECE took place quite recently in the context of the divestment of the power grid business that was sold to Hitachi. The deal included the agreement to establish a joint venture in which Hitachi owns 80% of the power grid business and ABB keeps 20% for a period of three years. After that, Hitachi is expected to buy the remaining shares of the business.

This divestment in Europe is regulated under the Directive on the transfer of undertakings and therefore required a consultation of employees at transnational level. This took place and the following social dialogue outcomes at transnational level were negotiated:

A job security guarantee for those employees that are affected by the transfer of business to Hitachi that goes beyond the minimum standards laid down in the EU Directive.

⁴ "European Appendix to ABB Social Policy", available at: https://ec.europa.eu/employment_social/empl_portal/transnational_agreements/ABB_EuropeanAppendix_EN.pdf.

A guarantee that collective agreement provisions at national level will remain valid for at least three years.

An agreement with the management of ABB and Hitachi that for the joint venture that will be established by both companies an EWC will be established that includes the same provisions as the current ABB EWC, i.e. the same standards as regards number of meetings (the current Hitachi EWC for example has only one annual meeting), consultation rights, etc.

The agreement is regarded both by the management as well as the employee representatives at headquarter level as a success and as an example of the added value of transnational social dialogue.

National level

Interviews with national-level HR managers and employee representatives were carried out in Germany, Poland and Finland, illustrating a broad variety of framework conditions of social dialogue and industrial relations contexts as well as interactions between employee representatives/trade unions and HR management.

ABB Germany is characterised – as other large companies – by a strong participation of worker interest representation as well parity board-level participation. There is a local works council (*Betriebsrat*) at all local sites and above that there may be a joint works council representing all sites within a company (*Gesamtbetriebsrat*). In the case of the existence of different companies within a larger holding or group, there also will be a central works council (*Konzenbetriebsrat*) consisting of representatives of the different joint works council. As a diversified company with more than 30 subsidiaries in Germany, ABB therefore has quite a large number of works councils in Germany.

Works councils have strong consultation and co-determination rights in the field of personnel planning, vocational education and training practice. Together with the management there are also hundreds of agreements (*Betriebsvereinbarungen*) that regulate employment and social aspects such as working time, time-off for training, data security or further qualification rights.

Further, at the level of joint and central works council, agreements will be carried out with the respective management level on issues that are related to the whole company group within Germany. Such agreements have a broader scope covering the whole company or group.

Apart from these structures of interest representation, German ABB workers are represented in the supervisory board of ABB Germany, and thus have a say on general business strategies and decisions. With a workforce of around 10,000 in Germany, workers have as many seats in the supervisory board of ABB Germany as the management site, i.e. eight out of 16.

Furthermore, workers representatives are involved prominently (including as President) in the ABB ECE. This is also due to the level capacities and resources available: According to the chair of the German Central Works Council, the management of EWC business and the handling of communication, consultation and administrative works in the context of transnational social dialogue would not be possible without the resources provided by the central works council.

At **ABB Finland**, employing a total workforce of 5,400 employees (of which 1,000 are in research and development functions and 70% are white collar employees displaying a strong growth since 2000 when the ratio was 50:50), social dialogue at company level is influenced by trade unions to a much greater extent. Workplace representation in Finland is essentially provided through the trade unions, as they have high levels of membership. The workplace union representative, together with their

colleagues, has the information and consultation rights, which in countries like Germany are exercised by works council members.

At ABB in Finland, three collective agreements at national level are relevant for company-specific provisions on working conditions, pay and other issues: These agreements have been negotiated with the trade unions of salaried employees, blue collar workers and professional employees with an academic degree.

Local trade union representatives also exercise the rights provided in the Act on Cooperation within Undertakings which is very flexible in terms of the mechanism for cooperation. However, it is much more specific on the issues covered. Depending on the topic, employee representatives have a right to information, consultation – through involvement in cooperation negotiations – and, in some limited cases, they take the decisions, although within budgets set by the employer.

There is also a right to employee representation at group level in companies with 500 or more employees in Finland, and these rights have been strengthened by new legislation (Act on Finnish and Community-wide Groups of Undertakings) which also came into force in 2007.

According to the Head of ABB HR Services in Finland, the cooperation between country, HR and labour relations management and employee representatives in Finland is not restricted to compliance with national regulation of information, consultation and workers participation obligations. There are strong joint interests to strengthen Finland as an important place of ABB activities and position the country well within the ABB global landscape.

ABB Poland: ABB was one of the pioneering foreign investors in Poland after the change of the political and social system at the end of the 1980s. ABB started to take over companies and carried out significant investments already in and, by 1993, was the third largest foreign investor in Poland. There was a peak employment level of almost 10,000 people during the 1990s.

After quite significant restructuring and selling of companies and subsidiaries, as well as significant reduction of the workforce, ABB Poland in 2004 employed a workforce of just 1,400, mainly at three brownfield production sites (Lodz, Przasnysz and Wroclaw), as well as operating various marketing and group service branches, and a Corporate Research Centre in Krakow (established in 1996 as a greenfield investment, being one of nine global research centres at that time. Since 2006, employment started to grow again due to transnational relocation of production and functions.

Today, ABB Poland is one of the most important ABB location in Europe with different national and global operations of the company, employing a workforce of more than 7,200 currently in 11 factories and more than 20 branch offices.

According to the HR Director of ABB Poland, activities in Poland recently have affected quite significantly by global decisions and restructuring, in particular by the establishment of the shared service centre in Krakow (with around 2,000 highly qualified employees) in the context of the "White Collar Productivity Programme" and the acquisition of General Electric Industrial Solutions in 2017. This takeover alone increased the workforce of ABB Poland rapidly by around 2,000 employees that had to be integrated into the company.

The industrial relations and labour relations structure of ABB in Poland is very diversified (11 factories and 25 sales/administrative offices) and characterised by a strong plurality of employee representation, trade union structures and organisation rates. According to the country HR manager who is also responsible for the negotiations with trade unions and/or works councils.

ABB in Poland consists of four different legal entities and each has its own works council and trade union structure. Works councils are the main consultation and information body and there are normally four quarterly meetings per year with the management.

Apart from works councils, trade unions are an important actor of industrial relations and in particular collective bargaining in Poland. In ABB, the trade union organisation rate is comparatively high but also very fragmented with ten different trade unions (NSZZ Solidarność being the most important one). According to the country HR manager, relations with trade unions and labour relations overall are characterised by established procedures of collective bargaining (including annual wage negotiations) and dispute regulation.

More recently, the integration of General Electric Industrial Solutions into ABB proved to be a challenging task also from the perspective of human resources and labour relations. For example, in the three different legal entity that formed GE in Poland (with a total of 2,000 employees) no works council existed. Works councils were only established after the integration into ABB and with the active support of the national HR management.

Furthermore, the relationship between trade unions and management was very different from the culture at ABB, i.e. much more based on mistrust, conflict and militancy. Thus, the integration of GE into ABB was difficult, and the country HR management played an important role in resolving conflicts and tensions.

The problems in labour relations and social dialogue in the context of the integration of GE into ABB had also an impact on transnational social dialogue: Due to the increase of the Polish workforce by around 2,000 employees, Poland would have the right to nominate a further delegate to the EWC. However, due to the tension between unions at ABB and those from GE, it was not possible to nominate this additional delegate as both union camps demanded the seat.

The conflict about the additional Polish seat in the ABB EWC is going to be solved very practically in the near future as because of the divestment of the power grid business, the ABB workforce in Poland is going to shrink again by around 2,000, meaning that employees at ABB Poland again will only have one EWC delegate.

Further challenges related to the concentration of global business functions at ABB in Poland (Global Business Service Centre) according to the HR Country manager are the integration of employees from a broad variety of different cultural and language backgrounds, recruitment of highly qualified professionals and dealing with employee mind-sets that are 'global' rather than local.

The isolation of the global service centre with a total of about 2,000 employees has also a strong labour relations dimension according to the country HR Director. Because of white collar, highly qualified and multi-cultural profile of the staff, there are no linkages to Polish trade unions. This is also a result of the fact that remuneration is based on global remuneration rules and outside/significantly above the national wage standards. In addition, employees at the shared service centre in Krakow show no interest or motivation for engagement in the transnational social dialogue and the ABB ECE.

Efficiency of the social dialogue

The ABB case illustrates all the trends and challenges that characterise social dialogue in transnational companies and the linkages between the national and transnational level:

Triggered very much by changes in business strategies, transnational reorganisation (centralisation, decentralisation, introduction of matrix organisational structures and dissolving these) the EWC has become more important for the management as a significant forum of communication and consultation with employee representatives in times of change and reorganisation. The EWC has become an important player and counterpart for the global management in the context of implementing global management decisions and changes in the European parts of the company that still account for nearly 50% of the global headcount.

Driven very much by actors both on the employee and management side that are committed to the approach of "social partnership", the EWC is engaged in activities that go beyond the information and consultation provisions of the EU Directives. Consultation at EU level has resulted in negotiated packages such as the "Peoples Package" in the context of the "White Collar Productivity Programme" or the outcomes achieved in the more recent divestment of the ABB power grid business, affecting 15,000 employees.

These outcomes also illustrate for national-level employee representatives that transnational-level social dialogue is more than just a dialogue forum but has an added value for workers on the ground (in particular in countries with weak influence of interest representation and trade unions).

From the HR management perspective, the ECE is also an important forum, not only for communication and consultation but perhaps even more for developing a joint understanding, building trust and avoiding conflicts. This this function of the ECE is appreciated not only from the perspective of management at HQ level but also across different countries.

It can therefore be stated that the ECE has evolved as an important actor of labour relations at ABB which increasingly also sets a broader and more general frame for national and local negotiations in the context of restructuring and reorganisation.

However, it also has to be noted that the most important framework conditions for a stronger role of transnational social dialogue are not the EU EWC Directive and legal regulation. The actual role and influence very much depends on capacities and resources in terms of personnel, infrastructure and working time that is provided by the national level, i.e. the German central works council, the ECE Vice-President and the Select Committee members. Furthermore, the good and trust-based relationship of employee representation bodies with top-management individuals (both in the field of HR and business operations) is another important framework condition.

Main challenges

The framework conditions of transnational social dialogue depend very much on company-specific elements such as a trust-based relationship, respect and the strong belief that social partnership and joint understanding is better for the business than unrest and conflict. Such elements are also important at national level in terms of social dialogue efficiency and outcomes but in contrast to the transnational level, the national level of labour relations is also based on labour law requirements and provisions that in most countries go well beyond the EWC Directive.

This lack of legal security and provisions must be regarded as a key weakness of EWCs: Efficiency and functioning depends fundamentally on the availability of resources that are provided by the company and national-level interest representation and the personal commitment and engagement of employee representatives and senior management individuals. This also means that social dialogue and the relationship between the employee side and the management may worsen in case

of changes in the management orientation, corporate culture or other internal and external influences. Efficient social dialogue therefore cannot be regarded as granted because it is not based on robust legal rights and obligations.

A major challenge for the future development of social dialogue at transnational and national level results from the increasing globalisation and concentration of decision making at the global level with a respective loss of (negotiation) power and competences of European and national HR (as well as other business related functions). In this context, some HR country managers at country level have noted that the room for manoeuvre has become narrower, for example in the context of local and national collective bargaining on wages and bargaining as well as initiatives aimed at recruiting qualified personnel in more competitive labour markets.

These weaknesses and challenges are also highly relevant from the perspective of employee representatives and trade unions. In addition, collective employee interest representation is facing a number of organisational challenges, i.e. the lack of attractiveness of collective labour organisation for the younger generation of employees that often is white collar, highly qualified and less motivated to join a trade union or engage in a works council.

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Unilever Case

Company profile

Unilever is a UK-Dutch transnational company that is one of the largest producer of consumer goods in the fields of food and beverages, cleaning agents, beauty and personal care. The company in 2019 had a global workforce of 155,000 in around 190 countries. With a global turnover of 51 billion Euros, the company belongs to the group of the largest 150 multinational companies in the world. More than half of the global Unilever turnover is generated in developing and emerging market regions.

Still headquartered in Rotterdam and London, Unilever has always been a multinational company that goes back to the merger of the Dutch margarine producer *Unie* and the British soap maker *Lever Brothers*. Based on periods of strong expansion beyond Europe, takeovers and acquisition, Unilever today owns more than 400 brands and the company is proud of the fact that today, more than 2.5 billion people around the world are using Unilever products every day.

Today, less than 20% of the Unilever workforce is employed in Europe, whereby it has to be mentioned that within the Unilever organisation Eastern Europe is not part of the European region but part of the region of Asia and Africa. However, the Unilever workforce in Europe has been declining continuously over the last decades. For example, Unilever in Germany in 1990 employed around 27,000 employees, whereas the workforce today is only about 6,100.

Recent restructuring and changes in the company structure

According to one interview partner '*Unilever reinvents itself every year*'. In fact, the history of Unilever that was established by a merger is characterised by more or less intensive periods of continuous restructuring whereby periods of expansion lead to periods of consolidation and further business expansion.

In recent decades, restructuring in Europe has been characterised by consolidation as a response to shrinking market shares and saturated consumer markets as well as increasing competition. Also, as a result of increasing influence of more activist shareholders, Unilever since the beginning of this century has started to sell brands (having at that time a total of 1,600 different brands) and production facilities that were not regarded as being part of the core business interest or where profit margins were regarded as too low.

This strategy continues today but restructuring has intensified more recently, due to the divestment of the margarine production with well-known brands such as *Rama*, *Becel*, *Lätta* and *Sanela*. This sale of a traditional core business of Unilever that was announced 2017 and affected 1,100 workers in Europe (including 300 in Germany) was regarded in particular by works councils and trade unions at Unilever as a significant event. The divestment and sale of the margarine business to a large financial investor with a financial volume of nearly 7 billion Euro was also necessary because Unilever at that time faced a massive takeover bid by one of its largest competitors (US-based Kraft-Heinz). Though shareholders were not unanimously against this bid that had a volume of around 130 billion Euro, Unilever rejected the bid and under the then CEO started a massive share buy-back in order to avoid similar attempts in the future. The sale of the margarine business as well as a programme to increase productivity and profit margins was thus a reaction to finance the buy-back

share programme and also to content shareholders, namely activist investment funds. However, this strategy was not uncontested and as a result, the CEO declined and the strategy to increase productivity and sell those parts of the company that are regarded as being not profitable enough continued under a new CEO. Also due to shareholder pressure, the Unilever CEO set a goal of increasing the profit margin from 16% in 2018 to 20% by 2020. In order to achieve this goal, the group will continue to withdraw further from certain food businesses and focus on more profitable segments, in particular in the field of personal care products. Consequently, in October 2019 the Unilever European management announced the decision to carry out a "radical restructuring" or even a closure of a major plant in the field of instant soup, sauce and spice products in Southern Germany that has been in operation since 1838, employing currently around 700 employees.

This latest case of restructuring has resulted in a strong response from trade unions and works councils at Unilever, including the EWC, which reacted with a public campaign under the title and logo of "People before Profit", criticising what it sees as the sole focus on the profit margin by the Unilever global management.

The EWC

The Unilever EWC was established in 1996 as an Art. 13 Agreement⁵ against the background of a decade of trade union transnational cooperation and initiatives to form a transnational forum for employee interest representation and social dialogue. As far back as 1985, employees in eight countries organised a first transnational protest against restructuring and collective redundancies in Unilever factories. In 1988, the trade unions held a first joint meeting, with the aim of developing a transnational council structure. However, such initiatives were opposed by the Unilever management.

In the end, the initial Unilever EWC included (and still includes) several provisions that go beyond the standard provisions contained in the original EWCs Directive. For example, the so-called "European Coordination Committee" (ECC) has eight members (instead of three as stipulated in the Directive for the Steering Committee) and since 1997, at least six meetings per year are foreseen (instead of two). A further provision that goes beyond the EWC Directive is the "ECC Feedback Group", consisting of four members, that was established as a smaller group of representatives handling the day-to-day business of the EWC and exchange with management representatives in support of the larger ECC group. The select committee communicates internally between formal EWC meetings and functions as the representative body of the EWC. The ECC Feedback Group, consisting of the chair, deputy chair and two other members, can focus on specific areas or projects, enabling quick action if needed and functions as the *'face of the Unilever EWC'*.

The EWC agreement is reviewed every four years, and the latest review dates from 2018. It is still a voluntary agreement, but provisions have been adjusted in the light of the recast EWC Directive of 2009 (in particular clarifying the definition of transnationality, information and consultation, improving the involvement of European trade union experts). At the same time, positive aspects of the initial agreement, such as the ECC Feedback Group have been maintained and formalised and improvements have been achieved over time: for example two plenary meetings per year, increasing

⁵ See footnote 26 above in the case study section on ABB.

the number of ECC meetings, including health and safety in the scope of the EWC or strengthening and formalising the consultation process (as an annex of the Agreement).

The EWC has 36 members, representing a total of 19 countries, with seats allocated according to the number of employees in each country. Germany and the UK each have four seats, and three seats go to the Netherlands, France, Italy and Poland. The other countries represented on the EWC are Hungary, Spain, Switzerland (2 seats each), Austria, Czech Republic, Finland, Romania, Sweden, Belgium, Denmark, Greece, Lithuania and Portugal (1 seat each).

According to EWC representatives interviewed in the context of this report, the EWC aims to act as a platform for information and consultation with global and European top-level management of the company in relation to transnational issues. Transnational issues are defined as those involving at least two countries, even if only one is directly affected by job losses, and if they have potential consequences for employees or potentially involve the movement of operations from one country to another. Information should be given to the EWC before a final decision is made, and should enable the EWC to consider it with a view to consultation. Consultation is defined as an exchange of views and dialogue.

It also aims to enable the exchange of experiences and culture within Europe and enable participants to learn from the *'best and worst practices'*. The EWC functions as a direct counterpart to the Unilever European-level management in the areas of HR and business strategy.

HR policies and procedures

At the senior level Unilever is led by a Chief Executive Officer and a Chief Financial Officer, who lead an executive team of two regional presidents (for South Asia and North America), three presidents for the main business lines (food and refreshment, beauty and personal care, home care) and executive officers for key business functions (supply chain, legal, operating, R&D as well as HR).

The change in the leadership of the company at the beginning of 2019 also resulted in a reorganisation of the functional and geographic leadership structure. After a structure of three global divisions along the three main business lines were created in 2018, the changes in 2019 affected also the regional structures as only two global regions (South East Asia and North America). Other regions, including Europe, were dissolved. The reorganisation of the global leadership team was motivated by the aim to increase the operational and business line expertise within the global executive team. This also means that the presence of regional expertise and interests in the global leadership was reduced.

Since July 2019, the European region of Unilever consists of four clusters: Central Europe (D-A-CH, Benelux, Italy and Nordics), Western Europe (France, Spain and Portugal), Eastern Europe and UK/Ireland. Each region is led by an Executive Vice President who oversees all functions, including HR, supply chain business and relations with trade unions and works councils.

Regional clusters such as the D-A-CH region were established in the context of a centralisation of the company organisation in 2008 when the three former country structures all merged into one region, with its operational headquarters in Hamburg, Germany. Since 2006 Unilever Switzerland (Schaffhausen) has been the headquarters of the Unilever Supply Chain Company that was established as the centre of all Unilever supply chain activities in Europe. It is responsible for the supply of raw- and packaging materials, the whole factory network which includes production planning, volume allocation and investments for the 62 European production facilities, and the

transport and warehousing of finished products from the European manufacturing sites to the end-user markets.

As regards HR and labour relations, including social dialogue and collective bargaining at local level, there are local HR managers responsible for individual sites and at higher level HR managers at the level of the four Unilever regions/country clusters.

The counterpart of the Unilever EWC in Europe are therefore regional Executive Vice Presidents as well as senior managers in the field of labour relations.

Linkages and interaction of HR and social dialogue

Transnational level

The EWC functions very efficiently, according to the interviewees at Unilever. There is, however, some variation in participation levels among members, with some more active than others. The more active members tend to be those that sit on the EWC's select committee (the ECC).

The efficiency of the social dialogue at the EU level, through the medium of the EWC is seen as having improved significantly over time, developing from “monologues” about local-level infrastructure issues to real discussions about transnational issues. The current chair of the EWC is credited by employee representatives with much of this change.

Company management is obliged to inform the EWC about transnational issues affecting the workforce before it goes live with a decision. The ECC is informed first, before the issue being put to the full EWC. As the EWC only meets twice a year, it is important that regular updates are given to the ECC between EWC meetings. All relevant information can then be shared at the full EWC meeting. If information is given to the ECC that may affect a specific country, employee representatives in that country are contacted by the ECC and asked whether they need any support at European level.

Overall, the importance of individuals as drivers of the social dialogue and interactions between HR and employee representatives is clear at Unilever. The EWC chair is seen as a key driver in pushing forward the social dialogue agenda and building links with management. Similarly, the current HR director is seen as having been instrumental in achieving funding for the current Future of Work agreement.

Social dialogue plays a key part in the organisation when it is faced with restructuring and changes to the business that are likely to affect employees. In one instance, Unilever was looking at closing a plant in Italy following a reduction in yield. However, through dialogue with the EWC and the local works council in Italy, the employees who were going to be made redundant were instead transferred to another site with a 30-minute commute from the original location. Similarly, when a plant was to be closed in Norwich, in the East of England, an enhanced severance package was negotiated for those people losing their jobs.

The view from the employee representative side was that the overall culture of employee representation has changed quite significantly at Unilever over the past decade. Whereas the atmosphere used to be “quite fiery”, there is now more of an understanding among the trade unions present (in the UK at least) that they need to work with the businesses and so a less entrenched approach is needed.

'There is now more of an understanding that we have an end game – negotiations can still be quite fiery but there is give and take. We're not going to be able to influence business decisions but we can maybe co-manage.' (Employee representative and member of the UEWC)

The actual interactions between senior management and employee representatives at EU level was characterised as very good, and the relationship with the HR director as “really open”. Senior management are seen in general by the employee representatives who sit on the EWC as very approachable and willing to talk informally at any point, which serves as a basis for a very good relationship.

'There is a genuine desire for dialogue on the part of the senior leadership team and they are a group of people who listen ... they do listen, they're not just paying lip service.' (UK trade union representative)

Restructuring and transnational agreements

Triggered by continuous transnational restructuring in Europe but also as a result of changes in the corporate culture of the company under the previous CEO - who focused very much on developing the image of Unilever as a company of corporate social and environmental responsibility -, the Unilever EWC, in close cooperation with the European food trade union EFFAT as well as global trade unions⁶ was able to negotiate a number of transnational agreements (see Textbox 2 below).

Box 2. Global Framework Agreements at Unilever

The company's cooperation with international trade unions is enshrined in a joint **Memorandum of Understanding** (MOU), which most recently dates from 31 October 2018. The MOU recognises these two unions as the internationally representative bodies of unionised workers within its worldwide operations. Unilever also makes a commitment in this MOU to ensuring that its workers can exercise their rights to union membership and collective bargaining without fear of retaliation, repression or any other form of discrimination. This also extends to the company's subcontractors, as set out in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The MOU provides for regular meetings between senior corporate management and representatives of the IUF, IndustriALL Global Union and their affiliates on a twice-yearly basis. It also provides for contact between formal meetings, stating that *'between meetings, senior labour relations management will maintain ongoing communication with IUF and IndustriALL Global Union representatives as frequently as deemed necessary by the parties'*. It also states that the IUF/Unilever Working Group on Sustainable Employment and the Working Group on Gender Equality constitute and will remain an important part of this process.

The **Joint Commitment on Sustainable Employment** was signed in May 2019 by Unilever central management, the UIF and IndustriALL. It sets out conditions around employment temporary workers, stating that temporary workers will only be employed where there is a short-term or non-recurring need to support activities outside of normal business needs *'and without intent to use temporary contracts to avoid regular employment'*.

Temporary workers should also be given priority when filling permanent positions. It also affirms the rights of temporary workers in areas such as non-discrimination, the right to join a trade union, and health and safety. The agreement provides for ongoing monitoring and implementation procedures involving the signatory

⁶ Such as the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations IUF and IndustriAll Global Union

parties.

The **Framework for Fair Compensation** at Unilever was concluded in December 2015. The agreement defines 'Fair Compensation' as ensuring that the pay for employees is set at a level that is both fair and liveable, and provides equal pay for equal work. It is based on the following principles:

- Fair and liveable compensation
- Market-based compensation
- No discrimination in compensation
- Performance focus compensation providing alignment to the business
- Open and explainable compensation

Source: EU Commission Database on Transnational Company Agreements.

As regards Europe, restructuring from 2007 onwards has led to a commitment of the Unilever management to conduct restructuring operations in a socially responsible way (see Textbox below).

Box 3. Social Responsible restructuring at Unilever

In 2007 the Unilever EWC and the European management agreed upon a **Joint Statement on Responsible Restructuring**. This agreement is based on the principle of restructuring in a socially responsible manner. It sets out the following:

- In a restructuring situation, there must be adequate information and consultation with employees and with trade unions and employee representative bodies (depending on local legislation, culture and circumstances).
- All transnational restructuring is always discussed with the EWC, especially with the European Co-ordination Committee (ECC). This is done as timely as possible. However, in the case of stock price sensitive announcements, discussion can only take place after the announcement to the stock market. It also states that the announcement periods may vary. Short announcement periods can prevent production risks and might avoid lengthy uncertainty (Finland, Spain). Longer announcement periods leave more time for consultation with workers' representatives and for implementation and might also avoid production risks (United Kingdom, Germany, Greece, Hungary).
- There must be adequate consultation on social measures to mitigate the effects of restructuring. Discussions about social plans will always take place at national or local level.
- Where compulsory redundancies are unavoidable, finding new employment for the individuals concerned has first priority. A key objective will be to ensure that employees move from work to work. Available options include the offer of employment elsewhere in Unilever, skills development through training, outplacement assistance, and ensuring that workers remain in the same site wherever possible.

Source: Unilever EWC

A major recent achievement that illustrates also a strong move towards a pro-active European Works Council is the Unilever "Barcelona Agenda" that was launched in 2013 and aims to secure sustainable employment in all countries of the Unilever Europe Group. The basic aim of the Agenda is to establish a balance between value creation and valuing employees, following an acknowledged imbalance due to many years of cost-cutting programmes and the resulting restructuring measures, which had been to the detriment of the company's employees. An analysis initiated by the works

councils in the company identified key areas for action at European level: training, health, diversity, gender equality, growth, working conditions and job security. More recently it was decided that the focus should also be on new employment-related challenges such as digitalisation and providing all Unilever employees with opportunities for upskilling and further training.

These areas were addressed by a joint working group, which developed framework agreements by the end of 2013 that are valid for all countries covered by the Unilever group in Europe. The aim was also to further develop existing national/local best practice projects in these working groups and then make them available to all countries. In this way, it was hoped that this would create a 360° cycle of continuous learning and a new corporate culture involving all operating parties, including the management.

Based on the Barcelona Agenda and therefore also referred to as "Barcelona Agenda 2.0" but also as a response to the significant restructuring and reorganisation of Unilever since 2018, the EWC and the global Unilever management in March 2019 agreed upon a landmark agreement for Europe, the "Future of Work Agreement". This is regarded by the EWC as an agreement that contains the Unilever management commitment not only to take care of shareholder interests in increasing profit margins but also to care about Unilever employees and their interest in employment security and employability. The Future of Work Agreement is based on three principles:

- companies with purpose last;
- brands with purpose grow; and
- people with purpose thrive.

On this basis, it states that productivity dividends must also be used to invest in employees that Unilever must remain an employer of choice and that while jobs cannot always be protected during a period of rapid change, people can and should be protected.

Specifically, this agreement focuses on:

- Re- and upskilling in order to maximise the employability of employees, both within and outside of Unilever
- The development of joint programmes for life-long learning and development
- The exploration of new models of employment that meet the needs for both flexibility and security;
- The development of models for managing life cycles into and out of work and retirement;
- Work in partnership with other companies and key stakeholder groups in order to deliver the activities listed above; and
- Outlining a new process for consulting and co-creating a change agenda that anticipates digital disruptions and enables speed of response, while also minimising potential adverse social impacts.

On the issue of consultation and co-creation of a change agenda, the agreement states that the existing EWC arrangements and procedural agreements for formal consultation will continue, as will the Joint Statement on Responsible Restructuring (see below). The agreement aims to create new mechanisms for co-creation in which joint teams comprised of representatives from management and employee representatives can work together to identify new solutions to new issues in advance of any disruptive impacts. In this way, joint working teams can be formed to examine issues such as

training and upskilling, and sustainable employment and the future of work, in order to address the issues listed above.

Initiatives taken under this agreement will form a standing agenda item at the annual EWC plenary meeting and the EWC select committee will also receive regular updates on pilots and progress under this agreement.

A total of €6 million has been ring-fenced by Unilever to support projects implemented under this framework, and a total of around €600,000 has been allocated so far. A committee assesses applications to the fund, which will run until all the money is allocated.

'This is very good for the company in terms of investment in the workforce and social responsibility. I was surprised how easy it was for the company to sign up to it. I think the idea probably came from the EWC chair, and there were a lot of "offline" conversations with senior management before the agreement was reached.' (Employee representative and member of the UEWC)

Projects up and running include a range of training initiatives and the provision of technical facilities. In the UK, the fund will finance a buddy system that is based on pairing a young person with an older employee who is 18 months from retirement. Under the scheme, the older worker gradually reduces their working time, with the aim of a seamless transfer of knowledge. This also avoids a situation in which the older employee feels redundant and the younger employee feels exposed. A total of six new roles for young people will be created under the scheme over 18 months.

In addition to these framework agreements, a range of joint texts have been negotiated, as set out below.

National level

Interviews in the context of this study have shown that significant differences exist in relation to framework conditions, available resources and the organisational strength of works councils and trade union structures at Unilever in Austria, Denmark, Germany, Lithuania, the Netherlands, the UK and Switzerland.

In terms of the legal framework of interest representation at company level, which also provides for co-determination on labour related issues, worker participation in joint bodies such as the economic committee (*Wirtschaftsausschuss*) and in the supervisory board, **Germany** certainly outperforms most of the other countries mentioned above.

According to interviews with chairs of two local works councils that are also members of the *Central Works Council (Konzernbetriebsrat)* and the Economic Committee as well as the supervisory board of the Unilever Germany, holding the different levels of interest representation are important in order to participate and influence employment and working conditions at the shop floor. This is also important in terms of receiving relevant information about economic figures and business developments for the whole Unilever group at national level in the Economic Committee and at least potentially influencing decisions and raising issues for the agenda of Supervisory Board meetings.

As regards the relationship with the Unilever management, employee representatives noted that all in all the relationship in particular at the highest national level is based on trust, mutual understanding and respect. The provision of information and consultation processes are regarded as better as in many other companies in the sector in Germany. This assessment was also made by local

works councils but there have been also reports about local site managers, often from other countries who had tried to introduce a more rigid leadership model and reduce the relations with works council on legal compliance issues. This has resulted in conflicts and according to employee representatives, the national Unilever leadership has played an important role in resolving these types of conflicts and strengthening good labour-management relations in such local cases of tension.

Interviews with Unilever employee representatives were carried out a few weeks after the announcement of a radical restructuring or even closure of one major site in the food business affecting around 570 employees. In this context, the local works council chair, who also sits in the Central Works Council, the Unilever Germany Supervisory Board and the Unilever EWC, highlighted a key challenge that characterises multinational companies such as Unilever. He noted that decisions such as the restructuring of this site are taken at global level and the process of shifting decision-making power from the local, national and even European level to the headquarter level according to his experience has accelerated significantly in recent years. This means that not only local site managers but also the national country managers increasingly have no influence on decisions and also have no power to influence measures to cushion employment impacts, redundancies or initiatives of retraining that go beyond the legal requirements. In this context he also referred to a collective agreement between the regional trade union and the Unilever management regarding his local site that was concluded in 2017 (with a duration until the end of 2020) that provides for an employment guarantee and the exclusion of any economic redundancies for all employees as well as additional financial benefits, the renouncement of outsourcing in logistics and a commitment of the management to invest a significant amount of money in the site. According to the interviewee, such an agreement today would hardly be possible because national management simply no longer has the autonomy and room for manoeuvre for such agreements.

According to employee representatives in Germany, the globalisation of decision-making of business and labour related-issues increasingly undermines and erodes institutions of co-determination, company-related collective bargaining and workers participation in supervisory boards.

At the same time, the erosion of social dialogue negotiating powers at local and national level is not being complemented or replaced by an increase in influence at transnational level. Although the Unilever EWC is regarded as a very important institution of employee voice at Unilever in Europe and the recent transnational agreements and initiatives such as the Barcelona Agenda and the Future of Work Agreement are appreciated very much by local and national employee representatives, the actual influence, not to mention any obligation of the management to negotiate or engage with codetermination is much weaker than national employee rights.

These assessments were strongly confirmed by employee representatives in **Austria** and **Switzerland**. In both countries, framework conditions for works councils and trade unions at the company and national level are regarded as much more difficult compared with Germany. This is due to various factors, including less supportive labour law provisions relating to the co-determination of works councils, structural features of the workforce, which is much more concentrated in administrative and sales activities and less organised, as well as increasing difficulties in recruiting younger employees into interest representation roles.

Against this, both Austrian and Swiss employee representation bodies regard transnational social dialogue as very important. And here not only the Unilever EWC is seen as a major achievement

(despite all limitations mentioned above), but also the joint Central Works Council for the D-A-CH region that was established when Unilever merged the three country organisations into one single organisation in 2008. For the Austrian and Swiss employee representation bodies, the involvement in the Central Works Council – there are monthly meetings at the D-A-CH headquarters in Hamburg, Germany – is very important not only in terms of receiving more relevant information but also addressing issues of local conflict and problems and discussing these with the D-A-CH management, including on HR issues.

Interviewees in Austria and Switzerland also referred to the positive example of an agreement concluded between the Central Works Council and the D-A-CH management in 2012 on “Demography and the creation of competitive and sustainable personnel structures” for Unilever staff in Germany, Austria and Switzerland. Such an agreement would not have been possible in the two countries.

But even more the recent “Future of Work Agreement”, according to interviewees in Austria and Switzerland, has been a major step forward. It has not only improved the relationship with HR management in the national context (that generally is regarded as positive) but has also opened up an option for joint projects with the management that would not have been possible without the European agreement (and the support it received from the global Unilever leadership).

The positive impact of the “Future of Work Agreement” on local and national relations with country managers and HR management was also highlighted by employee representatives in other countries, namely in those where local employee interest representation bodies have weaker legal rights and organisational power, for example in the UK or Lithuania.

In the **UK**, according to the interview with a local shop steward and member of the Unilever EWC, relationships with local HR staff are often not as good as with the senior HR staff: there was a view that the more local HR staff tend to follow procedures very closely, whereas those who are more senior in the organisation tend to have a more global vision and can be more flexible.

Bottom-up articulation is deemed to work less well overall at the company, although there are examples of grass roots influences on EWC discussions. For example, in Norwich, in the East of England, there was a need for a focus on mental health and wellbeing for staff at a company plant. The chair of the EWC visited the plant to support the local trade union representative and put this item on the EWC agenda. An in-depth mental health and wellbeing project was then implemented at the Norwich plant.

However, the view from the employee representative side also was that the overall culture of employee representation has changed quite significantly at Unilever over the past decade or so. Whereas the atmosphere used to be “quite fiery”, there is now more of an understanding among the trade unions present (in the UK at least) that they need to work with the businesses and so a less entrenched approach is needed.

'There is now more of an understanding that we have an end game – negotiations can still be quite fiery but there is give and take. We're not going to be able to influence business decisions but we can maybe co-manage.' (Employee representative and member of the UEWC)

In **Lithuania**, the employee representative who also represents the Baltic States plus Poland in the UEWC, the European social dialogue is regarded as very important for the national employee representation bodies and relations with local management.

However, Lithuania, together with other Central and Eastern European countries, faces a number of major challenges. In Lithuania, interest representation and social dialogue mainly only takes place in the small marketing and sales unit, employing 80 employees. Here, a works council with five members exists and holds one meeting per month. Most of the workforce in Lithuania is employed in an ice-cream factory that currently has a workforce of about 200 employees. At the factory there is no trade union organisation and a works council was only elected recently, when it became mandatory under Lithuanian law in July 2018. There is no coordination between the two works councils and the interest representation at the factory does not provide any input into the Unilever EWC – according to the interview partner this is a body that so far only exists on paper. In addition to this, the Unilever country manager in Lithuania is not regarded as very supportive as regards local social dialogue and relations with the works councils.

Given this situation, it was felt that the development of joint projects with management in the context of the "Future of Work Agreement" will become very difficult. Furthermore, it has been agreed with the Unilever European management that for the whole Central and Eastern European region (that includes countries such as Greece and Cyprus), projects under the Future of Work umbrella will be coordinated centrally for the region. In practice, this coordination is carried out by one HR manager from Greece who will coordinate consultation and dialogue about joint projects in the whole Eastern European region. This, according to the Lithuanian UEWC delegate, will not only become a challenge but rather a "Mission Impossible" against the very fragmented and weak structure of social dialogue across the region. It was noted in this context that across the whole region of 20 countries, functioning works council structures only exist in Lithuania (partly), Hungary, Poland and Greece.

Compared to Lithuania and other Central and Eastern European countries, the situation of national social dialogue and employee interest representation as a partner of the management is much better in the **Netherlands** and **Denmark**. This is of course also a result of the stronger and more enabling environment at local and national level due to labour law provisions in the Netherlands and collective agreements at national and local level in Denmark.

The employee representative for Danish employees and member of the UEWC reported that relations with the local management are based on mutual respect and processes of information and consultation as well as collective bargaining according to the rules set by collective agreements. In contrast to Lithuania, the European Agreement on the Future of Work is regarded as a very positive signal for social dialogue at Unilever in Denmark. Here the social partners have already agreed on a joint project that provides concrete added value both for the employee side as well as for the business. The project, called "Future Fit", targets lorry drivers at the factory in Odense who will receive further education and qualification in order to enable their employment in more positions at Unilever.

The "Future of Work Agreement" is regarded in the Netherlands as an innovative outcome of transnational social dialogue that will have a positive effect on social dialogue at Unilever in the Netherlands, providing benefits for both employees and the management. According to the chair of the works council of the Unilever headquarter office in Rotterdam, which has more than 1,000

employees, and who also chairs the Unilever Central Works Council in the Netherlands and is a member of the Unilever European Works Council, transnational social dialogue and concrete agreements at European level are very important because of the accelerated shift of decision-making power from the national to the global level. Against this, the Future of Work Agreement is appreciated as a concrete result that will also have a positive impact on providing the workforce in the Netherlands with additional training and qualification as well as career guidance for a professional future in a rapidly changing work environment. In the Netherlands, a joint employee-management steering committee has been established in order to develop and select "Future Fit" projects that provide an added value both for the individual employees as well for the management and the business in the Netherlands. Projects will be launched in January 2020.

Efficiency of social dialogue

In a multinational company such as Unilever that is in a constant mode of restructuring and reorganisation and implementing business targets and strategic orientation that are defined at global level, driven also very much by activist financial investor groups, social dialogue at European level has achieved a number of remarkable outcomes. In particular the Barcelona Agenda and the Future of Work Agreement illustrate the approach of the EWC in terms of moving away from the mode of a forum that is just about receiving information and expressing opinions and entering a stage of action that is more pro-active, anticipatory and future-oriented.

This development of the UEWC has been made possible because of two important framework conditions: First, the support it received from the global management and here not only from the HR and labour relations executive management but from the CEO. The actual interactions between senior management and employee representatives at EU level was characterised as very good, and the relationship with the HR director as *'really open'*. Senior management are seen in general by the employee representatives who sit on the EWC as very approachable and willing to talk informally at any point, which serves as a basis for a very good relationship.

'There is a genuine desire for dialogue on the part of the senior leadership team and they are a group of people who listen ... they do listen, they're not just paying lip service.' (Employee representative and member of the UEWC)

In terms of vertical articulation, the top-down communication is described as good at Unilever, based on senior management's desire to communicate regularly and through a variety of means, including a range of social dialogue platforms.

A second and at least as important framework condition for the efficiency of transnational social dialogue are the resources of the EWC, in particular in terms of manpower and engagement. A crucial actor here is the Feedback Group of the European Coordination Committee that consists only of four members. This Group not only is handling the day-to-day business and communication between the UEWC and the Unilever management as well as with local and national Unilever employee and trade union representatives but also is engaged in attending employee meetings, participating in national level meetings with the management and project development. Without this group and in particular the UEWC president that is supported by a highly-qualified full-time colleague this high degree of top-down communication and presence at local sites, achievements such as the "Barcelona Agenda" or the "Future of Work Agreement" would not have been possible.

The view from EWC representatives was that the EWC can push back on certain issues, such as planned job losses, and that this has happened quite regularly, with the result that the planned number of job losses have been reduced. Furthermore, the EWC has initiated European projects and agreements, for example on sexual harassment or gender equality that are today implemented in all countries with the active support of the Unilever management.

Main challenges

There is possibly less clear vertical communication from the EWC representatives to their local constituencies, partly due to issues such as the embargoing of information shared at the EWC. The embargo is then lifted at the implementation stage.

Communication between the European and local level is also difficult in those countries where no structures of employee interest representation exist or where only parts of the country organisation have a works council or a trade union structure.

Keeping abreast of the speed of change was highlighted by employee representatives as a key challenge for the company and for social dialogue. This applies in particular to the speed of automation, which requires an open and flexible mind-set.

Staying connected to Unilever's vision was also cited by employee representatives as a key challenge, particularly in terms of competing with own-brand products in supermarkets.

There are two further challenges that have been highlighted in particular by those interview partners in countries with a high share of white collar employees in administrative, marketing and sales, business services or research and development. This is the lack of interest of the younger generation of employees in social dialogue that often results in significant recruitment problems for works councils or trade union committees.

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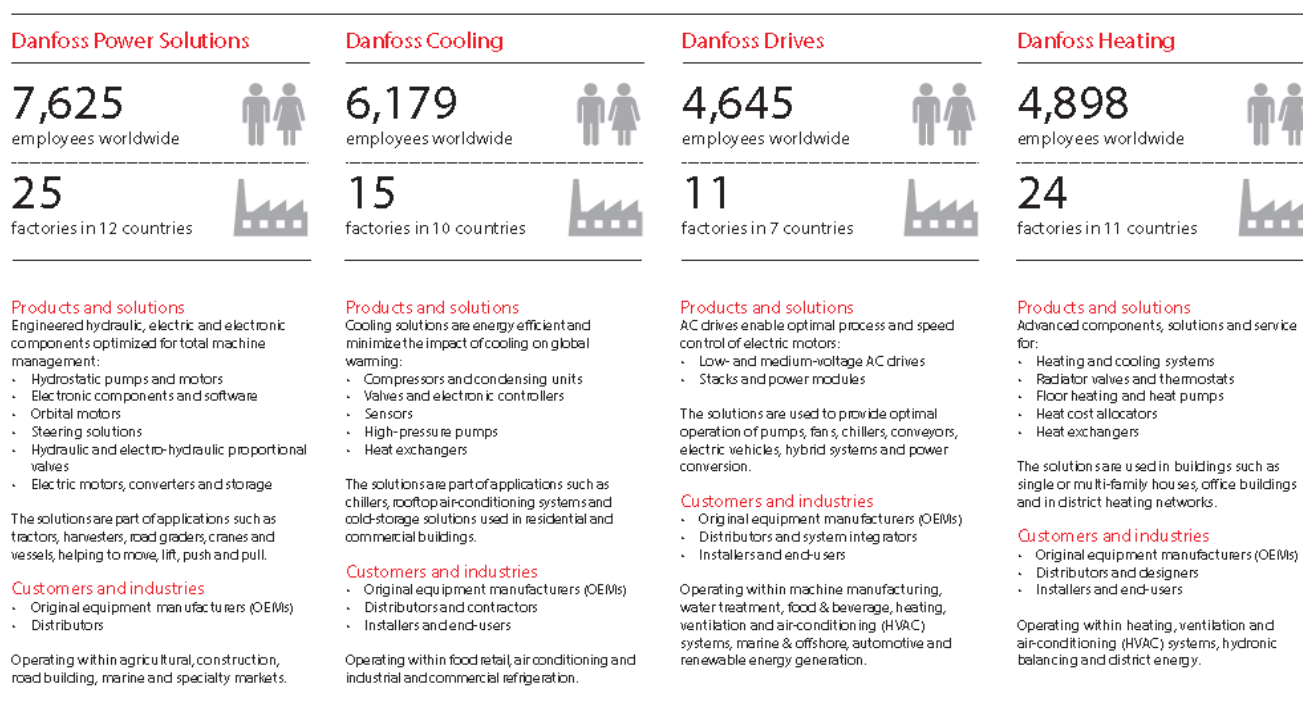
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Danfoss Case

Company profile

The Danfoss Group manufactures products and provides services used in cooling food, air conditioning, heating buildings, gas compressors, variable-frequency drives and powering mobile machinery. The company employs 27,795 people worldwide, as at 31 December 2018, and its headquarters are in Nordborg, Denmark.

Figure 3: Danfoss Business Segments



Source: Danfoss Annual Report 2018

Danfoss was founded in 1933 by Mads Clausen, and is still entirely owned by the family (47% of shares and 86% of votes by the Bitten and Mads Clausen Foundation). The Clausen family is actively involved in the management of the company, i.e. in the Danfoss Board of Directors. The Board has 11 members, whereby 4 out of 7 members (including the chair) are elected employee representatives. The Danfoss Executive Team consists mainly of senior managers of Danish origin, most of them having a longer professional career in the company and Danish manufacturing business.

The company's products are sold in over 100 countries worldwide and there are factories in more than 20 countries. Main countries/regions outside Europe countries are the U.S. with more than 4,000 employees and 15 factories, China, Brazil and Argentina. The Americas and the Asia-Pacific region in 2018 contributed more than 50% to the total group sales of Danfoss.

In Western Europe, Danfoss has 22 factories and sales companies in 17 countries, employing 10,753 people. Its largest market is Germany but Italy, France, Denmark, and the United Kingdom are also among its top markets in the region.

In Eastern Europe, the company has 15 factors and sales companies in 12 countries, employing 5,057 people. Russia, Poland, and the Czech Republic are the company's top three markets in Eastern Europe. The fairly cold climate and a large number of district energy systems represent growth opportunities for Danfoss, supported by the EU's plans to improve energy efficiency in Europe, including the Eastern European countries.

In 2002 Danfoss joined the United Nations Global Compact, consisting of nine principles with social and environmental responsibility.

Restructuring and changes in the company organisation

In contrast to the other companies in the sample, Danfoss during the past decade has been characterised by continuous growth and expansion of activities, sales and employment. The company has significantly expanded its product range by acquiring other companies with the inclusion of several active in the field of heat engineering. In recent years, Danfoss has focused very much on acquisitions and cooperation in order to broaden the product and service portfolio in the context of digital expertise, autonomous driving and other future technologies. For example, in 2018 alone Danfoss acquired four tech/engineering companies and concluded a number of strategic partnerships (including with Microsoft on IoT/cloud activities) and has made significant investments in the IT platform "One ERP" (Enterprise Resource Planning) that is currently being implemented.

Employment growth is taking place in all world regions, including the higher wage countries in Europe. According to one interview partner, Danfoss is continuously recruiting qualified staff in engineering and IT occupations where the demand in countries such as Denmark is already much higher than the supply.

This employment growth reflects business development at Danfoss overall, which is experiencing growth across all business segments as well as regions. It is notable that in 2018, Danfoss also saw strong growth in the more mature markets of North America and Western Europe.

The EWC

The Danfoss European Works Council dates from 1996 when it was established as the Danfoss "European Information and Consultation Forum" (EICF) as a pre-Directive Art. 13 Agreement.

The EWC agreement at the company was most recently revised in 2015 as a result of the amalgamation of two European Works Councils after the Danfoss Power Solutions Group (the Sauer-Danfoss Group) was acquired 100% by the Danfoss Group. In this context, the EICF was also renamed the Danfoss EWC.

The Danfoss EWC agreement states that '*information and consultation help create feelings of belonging together and promote loyalty and motivation on the part of each individual employee. A solid foundation can thus be laid for the continued development of Group competitiveness, to the benefit of both Danfoss and its employees*'. The specific aims of the EWC are to promote:

- an open and constructive dialogue between management and employees;
- employee insight into company operations and development; and

- employee identification as being a part of Danfoss.

The EWC is currently made up of 31 members. Denmark has four members, Germany and Poland have two each, and the following countries have one each: Austria, Belgium, Bulgaria, Switzerland, Czech Republic, Spain, Finland, France, UK, Croatia, Hungary, Iceland, Italy, Netherlands, Norway, Romania, Serbia, Sweden, Slovenia, Slovakia, Turkey, Ukraine and the Baltic countries (one representative for the three Baltic states). Meetings are held in English, although interpretation is available if requested.

EWC members are elected for a mandate of three years, which is renewable. The EWC steering committee is four members, with at least one employed in a sales company, and a maximum of two from Denmark. The steering committee plans, convenes and manages Danfoss EWC meetings. According to interviews with EWC representatives, there are at least monthly telephone/Skype meetings in order to discuss various issues that are emerging in the company. Currently, the steering committee is made up of two employee representatives from Denmark and one from Germany and Slovenia.

Ordinary meetings of the full EWC take place only once a year, with a telephone meeting six months afterwards. The agenda of the ordinary meetings is suggested by the EWC steering committee and covers the following issues: the financial situation of Danfoss and the outlook for the future; investment plans; group structure, including production transfers, mergers, removals and company closures; employment developments, including the introduction of new work methods or production processes; corporate policies; and further relevant transnational issues such as quality, branding, environment, safety, ethics, competences, education, HR surveys and HR data.

Each annual EWC meeting also includes reports from national EWC delegates, two thematic workshops on specific issues, an exchange with the global management and an update on economic figures and outlook of the company. Extraordinary meetings can be held when matters of cross-border importance arise.

The EWC agreement recognises the importance of ongoing dialogue between meetings and therefore states that it is important to set up internal information and dialogue procedures which will ensure that the Council is continuously informed of relevant matters.

HR policies and procedures

As already mentioned above, Danfoss has a two-tier management system consisting of the Board of Directors and the Group Executive Team, including the CEO and CFO. The Board of Directors sets out the general direction for the company by approving strategies and targets, and the Group Executive Team develops and executes the strategy and handles the day-to-day management.

The Board of Directors consists of eight members elected at the Annual General Meeting (AGM) and four employee-elected members. The Board of Directors appoints a Chair and one or two Vice-Chairmen from among its members. The Board of Directors has overall responsibility for the company's activities. Shareholder-elected members of the Board of Directors are elected for the term until the following year's AGM. In line with Danish legislation, employee representatives serve on the Board for four years and may be re-elected. The most recent employee election took place in 2018. The Board of Directors meets at least five times a year and holds extraordinary meetings when required. All members of the Board of Directors are expected to participate in the meetings. The

aggregate competencies of the members of the Board of Directors are regularly assessed to ensure consistency with the Group's requirements.

Danfoss has adopted a global model of HR management. At the top level there are HR Centres of Excellence and HR Business Partners aligned to the four business segments of Danfoss. HR functions at the top level to develop and implement global standards and policies.

At the operational level, HR is organised into regional structures: in Europe there are HR centres in the Nordic, Eastern, Southern and Central regions. The Nordic region consists of Iceland, the UK, the three Baltic States, Finland, Sweden, Norway and Denmark. Activities cover support functions for local management and employees, data and customer handling, education and training, pensions, payroll services, tax and social security, recruitment, talent management and branding.

The regional HR centres are also responsible for labour relations, i.e. the labour department deals with labour law issues, relations with employee representation bodies and trade unions and collective bargaining negotiations in the different countries.

In terms of HR policies at the global and national level, interviewees highlighted a number of global challenges in the context of digitalisation, demographic change and corresponding requirements of HR practices and labour relations as follows:

- The ageing workforces and supporting the employability of older workers within the company
- The increasing diversity of the Danfoss workforce, including at national level, and the integration of workers in global team and project structures (which for example requires more flexible work schemes)
- Attracting skilled workers into technological jobs and production activities
- Adjusting skillsets and competence profiles, upskilling unskilled workers in order to make them fit for digitalised work processes, robotics and increased automation
- Adjusting competences and skills also in administrative functions due to automation and greater specialisation of tasks
- Developing further global employee remuneration packages such as pensions, benefits and incentives

The HR management representative also highlighted that a key task for HR in the coming years will be to accompany the digital transformation and change process in Denmark and other countries. This also means the development of new frameworks and the organisation of work at Danfoss that is tailored to a younger and more agile generation of workers and managers.

Against this background, there will be a need to develop HR practices further at global level, align recruitment and branding practices and generally strengthen a global, more standardised approach of HRM. This also includes at regional level (Europe) work on social security coordination and developing company policies for intra-company posting and mobility.

At the same time HR also has to take into account trends of decentralisation and increasing diversity within Danfoss, aligning HR practices to business units, technological divisions and structures that work in a highly globalised and agile way.

Linkages and interaction of HR and social dialogue

Transnational level

Both HR and employee/EWCs representatives at Danfoss signalled a number of deficiencies that characterise the transnational level of labour relations and social dialogue. Positioned between the national and global level of action and practices, the EWC in a global company such as Danfoss is not placed at the right level when it comes to HR or labour relations. This is due to the fact that HR policies are increasingly modelled with a global scope that has to be complemented by practice at the national level in order to comply with a dense network of legal requirements at national level (e.g. as regards working time, health and safety, social security regulation, and mobile work). This means that the European level is not very relevant from the HR perspective.

Regarding the termination of the pilot project to transform the European Information and Consultation Forum into a global body (see below), representatives of Danfoss employee representation at headquarters level noted that the top level management of Danfoss lost interest in interactions between management and labour at the transnational level. The focus is on compliance with European regulation, i.e. the EWC Directive, and there are no attempts to go further or deeper because this is not regarded as providing any added value for the company.

From the perspective of employee representatives at Danfoss, the lack of concrete competences and tasks for the European social dialogue and employee interest representation also is regarded as a key weakness that hampers a more active involvement of the EWC in company policies. Compared to the national level of labour relations, social dialogue and collective bargaining, the EU level lacks concrete power and regulation capacities and therefore is a mere forum of information exchange that also has little influence in terms of consultation (also against the background about the absences of significant restructuring activities in recent decades).

Against this, the main added-value of the EWC from the Danish employee perspective is exchange of information and consultation between employee representations from different countries. Joint transnational activities and initiatives so far have not been developed and interaction between employees is more or less limited to activities as required by the EWC agreement and ad-hoc activities of bilateral exchange and meetings in cases of national problems (for example, on the issue of electing delegates to the EWCs).

Restructuring and transnational agreements

Danfoss has not negotiated and concluded any transnational agreements so far. However, as regards transnational social dialogue and practices it should be noted that there have been attempts and activities in the past to extend the scope of the EWC by including non-European countries in the EICF as well. The initial agreement in 1996 included a passage in the preface that the signatory parties have the intention to '*widening the scope of the EICF to other countries outside Europe, so that in the long term it will be able to cover Danfoss companies worldwide.*'

In the context of the review of the EICF agreement in 2007 an amendment was added to the agreement whereby the Danfoss management and the employee representatives agreed on a pilot scheme to invite employee representatives from non-European countries. Accordingly, representatives from Danfoss companies in countries and regions outside Europe were to be invited as observers (i.e. with restrictions as regards decision-making and consultation rights) to the annual meetings of the EICF. The agreement also included the provision that after five years at the latest,

the pilot would be evaluated, and a decision taken on whether the scope of the EICF agreement should be widened permanently and the EICF be transformed into a Global Information and Consultation Forum (GICF) or whether the pilot should be terminated.

According to interviews with the Danfoss EWC, the pilot was terminated in 2012 and the GICF reverted back to a European-only forum. The main reasons for this decision were costs and problems with the practical implementation and application of the agreement, related to the election/delegation of representatives. Transferring the EICF to a global information and consultation forum that would have the potential of providing concrete added value both for the employee and management side would have required significant financial and other resources that were regarded by the company as too high from a cost-benefit perspective.

National level

According to the Danfoss HR Director responsible for the Nordic region, labour relations and legal frameworks are very complex with different frameworks and conditions in each of the 10 countries that make up the region (Denmark, Finland, Sweden, Island, Norway, Estonia, Lithuania, Latvia, Poland and UK). In this context, it was stressed that not only there are significant differences between the Baltic Countries, Poland and the UK but also differences between the Nordic/Scandinavian countries. Also, within countries, the structure of employee interest representation can be complex. At Danfoss in Denmark for example, there are eight local site works councils and a national works council, made up by representatives of the local works councils. The structure of interest representation by works councils is based on the cooperation agreement that Danfoss has negotiated with the three trade union organisations at Danfoss (one representing blue collar workers, trade union of technicians and academic workers union).

The HR approach towards employee representations and social dialogue is described as based on compliance and "alignment" in relation to actual needs and requirements. Linkages are based on formal requirements (e.g. in the context of information, consultation, collective bargaining and participation of employees in fields such as health and safety, training, social policies and board-level representation) as well as informal exchange that takes place in daily, weekly and monthly meetings.

According to one interviewee, the main focus of national level HR is compliance with legal provisions of information, consultation and participation and good relations with trade unions and works councils. The interviewee also highlighted the heterogeneity of collective bargaining processes at Danfoss, with annual site-level bargaining rounds as well as collective agreements at higher level.

Efficiency of the social dialogue

Both top-down and bottom-up linkages between transnational and national levels of articulation reflect the general profile of the Danfoss EWC as a forum that certainly complies with the EWC Directive but has not developed activities or outcomes that go beyond information and consultation. Complying with requirements of the Directive as well as those regulated in the EWC Agreement is regarded by both sides as satisfactory no reports on issues such as lack of resources or problems in the context of information provided to the EWC were reported by the management.

Main challenges

Given the positive economic development and solid position of Danfoss it is difficult to identify the main challenges that the company is facing. Challenges in the field of HR are closely related to

mastering and managing the digital, demographic and environmental transformation process and here, Danfoss certainly is positioned very well in the global business markets.

As regards transnational social dialogue, the lack of an international level of employee interest representation is evident. However, given the non-existence of global regulation of transnational labour relations and social dialogue and the positioning of the EWC as "caught between two stools" it is difficult to develop any scenarios of a more proactive European level of social dialogue that would make a real impact on HR and labour relations. This is also due to the fact that the national level of employee interest representation, worker participation and collective bargaining still dominates.

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UniCredit Case

Company profile

UniCredit Bank is one of the most high-profile banks in Italy and it has a strong position in most of the developed markets in Europe, especially in central and eastern Europe. As a pan-European international bank, almost two-thirds of its workforce is located abroad (however, most of them within Europe); the global operational holding is in Milan. In many countries it is the only operational bank.

The bank has a strong European vision and identify. Its declared vision is to be "One Bank, One UniCredit" and it describes itself as '*a simple successful pan-European commercial bank with a fully plugged-in Corporate & Investment Banking, delivering our unique Western, Central and Eastern European network to our extensive client franchise.*' (Unicredit, 2019).

It should be noted that UniCredit is a joint stock company with widespread shareholders. There are only two shareholders that hold more than 2 percent of the shares: a US-based financial investment fund and a public investment fund controlled by the government of Abu Dhabi. At the beginning of 2019 each of them held slightly more than 5 percent of the UniCredit shares.

UniCredit has employees in 17 European countries, with the largest number in Italy (just over 41,000 in 2018), followed by Germany (just over 16,000). Its total headcount in 2018 was 96,348, down from 102,315 the previous year (Unicredit, 2019). The bank used to be present in 23 countries until the Baltic representations were sold, in addition to those in Ukraine and Poland.

UniCredit has a strong commitment to the principle of social dialogue, stating that

'we strongly believe in the importance of social dialogue, in particular with regard to the Group's labour practices. Social dialogue enhances our ability to cooperate, improves our listening skills and expands our understanding of domestic and global labour needs. A consistent, Group-wide approach has maintained our high standard of social dialogue in recent years, helping us to manage the challenging goals of our business strategies. In every country where we operate, we remain committed to improving UniCredit's social dialogue, focusing on building on our strong European identity. At national level, workers' interests may be represented in our Group by trade unions, works councils or other representatives in line with applicable labour laws and local industrial relations systems. At international level, workers are represented by the European Works Council (EWC), which, since its foundation in 2007, has worked to ensure the right to information and consultation on transnational Group topics that could significantly affect workers' interests.' (UniCredit, 2019)

Restructuring and changes in the company organisation

As is the case with other banks and financial institutions, UniCredit in recent years experience significant restructuring and workforce reductions due to new digital technologies, automation and the emergence of digital services that substitute local branches and customer services. In addition, UniCredit, in common with other banking institutes, suffers from the current low or even negative interest rates. As a result, since 2014, the UniCredit workforce has been reduced from around 145,000 by more than one third.

Moreover, this will not be the end of the line in terms of workforce reduction. In December 2019 the UniCredit leadership announced a further restructuring programme that will include the plan to further reduce the workforce by 8,000 by 2023. According to the UniCredit CEO, the aim of the current measures is to increase profits and dividends for shareholders and buy back shares.

The UniCredit EWC

UniCredit's EWC was established in 2007 and the agreement was revised in 2015. It comprises 35 worker representatives from all 17 countries in which UniCredit is present (Austria, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Germany, Hungary, Ireland, Italy, Luxembourg, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, the United Kingdom and the Ukraine). Seats on the EWC are allocated according to the number of employees in each country. Italy dominates, with 10 seats. Mandates are for four years, with the current mandate running from 2015 to 2019.

The EWC also has a select committee of 8 members, in addition to the president. The select committee must represent at least five different countries covered by the EWCs Directive. The select committee has an important function in terms of the flow of information up and down the company. In particular, it is responsible for representing the EWC's point of contact with central management at UniCredit, receiving information from it and communicating with it on behalf of the EWC. It is also responsible for practical and logistical matters, including the translation and distribution of documents to EWC members. Most importantly, it has a mandate to ensure a continuous and timely flow of information to all members of the EWC between its ordinary and extraordinary meetings.

The EWC is made up of works council and trade union representatives, who work side by side. This is seen as a positive element by the EWC president:

'It makes great sense that work councils and trade unions are both represented in the EWC. I don't see the difference if there is a good convergence of common strategy.' (EWC president)

The main task of the EWC president is managing and coordinating the Italian and international industrial relations of the UniCredit group, such as labour disputes (possible conflicts between employees and the employer), staff welfare at the global level, safety at the national level, pension allowance funds and health and wellbeing at the national level. Each participating country has its own internal rules of election to the EWC. The EWC is reported to have had a positive influence on unionisation rates in some countries, such as Romania, where unionisation rates have increased in recent years.

There are four formal EWC meetings a year, and the CEO attends, but there is scope for other meetings and informal contacts, for example using video conference or tele-conference facilities. The meetings are reported to be interactive. EWC select committee meetings with company management take place before the main EWC meetings.

'A CEO is always present for the agreements with the EWC. It is never a pure presentation meeting. The presentations are short-lived then questions and answers.' (EWC president)

'So for example, in July we planned again two meetings, so together it could be more than 10 [a year]. The EWC and [the president of the EWC] have tried new possibilities to be in contact much more. These meetings are formal. Sometimes we have also informal meetings: sometimes they are informal if we want to talk about something special. We have the

possibility to have video conferences as well.' (Czech trade union representative and member of the EWC select committee)

The EWC has no actual bargaining power as it only expresses its opinion on matters relevant to transnational operations, such as transnational strategy plans. This lack of bargaining power can be frustrating to the trade union representatives in the different countries, as they feel that decisions have usually been taken before they are communicated to worker representatives.

The EWC operates in parallel to a transnational trade union alliance, run in collaboration with the global trade union UNI. The EWC also works closely with UNI to increase unionisation in countries where union density rates are relatively weak, and this has had some success in some central and eastern European countries (for example Romania – see above).

It also sets out its views on specific issues. For example, in 2016 the EWC issued a statement relating to UniCredit's three-year business plan, calling for the protection of employees to be explicitly included in the plan. It specifically called for the development of a social plan under which no unilateral compulsory redundancies are made, and which includes redeployment, retraining and minimum severance terms for redundant employees. It also called for the maintenance of operations in all countries and no outsourcing of operations.

HR policies and procedures

UniCredit is committed to being an employer of choice. It was granted the status of Top employer Europe 2018 for its operations in Bulgaria, Croatia, Germany, Italy and Russia, from the Top Employers Institute.

A set of five group principles underpin a set of core guidelines that further clarify expectations about the way the company works as "One Team, One UniCredit". These are outlined below.

All UniCredit employees, irrespective of seniority, responsibility and geographical area, are expected to act fairly towards all stakeholders in order to gain and retain their trust.

Business policies should ensure that the responsible sales approach works in harmony with balanced, fair and respectful customer interactions, enabling the achievement of sustainable business success and long-term targets.

UniCredit colleagues are expected to contribute in their daily activities toward creating and maintaining a work environment that is as respectful and harmonious as possible, eliminating intimidating, hostile, degrading, humiliating or offensive behaviours. It states that the bank must contribute to assuring the respect for the rights, value and dignity of people and the environment and that all forms of harassment, bullying and sexual misconduct are unacceptable. Further, UniCredit colleagues are expected to assure a workplace where all kinds of diversity (e.g. age, race, nationality, political opinions, religion, gender, sexual orientation) are not only respected, but also proactively promoted as well as to contribute to an environment in which respect for, and attention to, colleagues' needs, health, work-life balance and wellbeing are deemed essential to achieving sustainable results.

In terms of communications and employee voice, the company states that it is firmly committed to promoting an environment in which colleagues and third parties feel comfortable engaging in open and honest communication. UniCredit also states that it encourages colleagues and third parties to

speak up and raise promptly good-faith concerns without fear of retaliation relating to any situation that may involve unethical or illegal conduct or inappropriate interactions with others.

HR policies are decided by the head of global HR. There are three main drivers for policy development:

- "the best place to work"
- "quality rewarder" and
- "great people developer".

These macro drivers are decided centrally, and the intention is to create a positive work environment that attracts new staff and also motivates the people who already work with UniCredit. The company has a deep-rooted tradition of growing its managers internally. The overall HR focus is on the three elements of attraction, engagement, and retention.

The second driver, "quality rewarder", means putting into place a compensation policy that comprises fixed salary, variable remuneration and employee welfare.

The third driver, "great people developer", is linked to the company's ability to best develop its resources and skills. The bank has developed reorganisation plans that are divided into two phases: the consultative and information phase; and a possible negotiation phase. These plans are passed at the local level by agreements signed with the trade unions of the countries from western Europe.

Over the past 10 years, UniCredit and the EWC have achieved a range of results in their social dialogue characterised by what the company terms as a distinctive global approach to industrial relations. In particular, four joint declarations have been signed over the last decade, which the company highlights as a success in terms of improving social dialogue across Europe by establishing a global strategic overview that facilitates social dialogue at local level.

These joint declarations are signed by representatives of the EWC and of the company. They are implemented as joint texts at country level between management and workers' representatives in individual countries. At the transnational level, therefore, the EWC has helped to introduce new areas of focus. Joint declarations agreed so far between UniCredit and the EWC are as follows:

- The ***Joint Declaration on Training, Learning and Professional Development*** (16 December 2008). This is based on the principle that learning is a lifelong, continuous and effective experience. It defines guidelines and principles that, respecting the different cultural, social and historical backgrounds of each country where UniCredit is present, should support all actors involved and serve as a point of reference for all strategies, activities and initiatives in the fields of training, learning and professional development.
- The ***Joint Declaration on Equal Opportunities and Non-Discrimination*** (14 May 2009), which is intended to be a point of reference for all employees to define guidelines on sensitive issues such as diversity, equal opportunities and non-discrimination, with the purpose of creating a diverse corporate culture, strengthening a sense of belonging and enhancing quality of life at work.
- The ***Joint Declaration on Responsible Sales*** (27 May 2015) promotes joint principles and guidelines regarding UniCredit's commercial approach, defining the pillars based on which they can be shared and respected: product quality, customer focus, employees' professional development and organisational governance.

- The **Joint Declaration on Work-Life Balance** (28 November 2017) aims to promote a set of specific, concrete actions to support work-life balance across the Group. The document calls for a general approach to setting target standards in all of UniCredit's legal entities and all of the countries where the Group is present, with five areas of focus: digitisation, space and time flexibility, time management, well-being and cultural change.

The implementation of every Joint Declaration is subject to periodic monitoring, both by UniCredit and the EWC's employee representatives. Specifically, the EWC select committee and UniCredit central management monitor the agreements jointly at central level.

The parties commit to ensuring the broader dissemination and implementation of the content of these documents throughout all Group countries, with the common purpose of using social dialogue to reinforce Group culture, taking into account special requirements and current local best practices in addition to standards that have already been met.

In addition, a new **Global Framework Agreement** was signed in January 2019 between UniCredit and UNI⁷. The agreement aims to strengthen the dialogue between the two parties on human rights and fundamental labour rights. The agreement builds on previous declarations signed by the bank with the EWC. The agreement covers a range of areas and makes specific commitments on:

- Protecting human rights: in alignment with the Group's Code of Conduct and the General Environmental and Social Principles and in observation of the United Nations Guidelines on Business and Human Rights;
- Combatting sexual misconduct, harassment and bullying, including the ongoing commitment to adopt the necessary measures to combat the risk of sexual harassment in the workplace;
- Combatting discrimination and promoting diversity: committing to joint UniCredit and UNI promotion of diversity and inclusion irrespective of sex, age, ethnic origin, ability or sexual orientation - fighting discrimination and supporting disabled workers throughout their working life.

The agreement also covers trade union rights, highlighting that UniCredit commits to ensuring a positive working environment, with the right to freedom of association as well as a healthy work-life balance in line with the Joint Declarations previously signed with the EWC. There is also a section on the continued promotion of a healthy and safe working environment and on UniCredit's commitment to responsible sales.

The global framework agreement covers 23 UniCredit operations in 22 locations in total (Austria, Bosnia and Herzegovina, Brazil, Bulgaria, Croatia, Czech Republic, Germany, Hong Kong, Hungary, Ireland, Italy, Latvia, Luxembourg, Poland, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, UK and USA) and is automatically incorporated into the procedures of individual country branches for implementation at local level. This can be challenging, as the development of collective labour rights is different in different countries. The transnational agreements are therefore of extreme importance as they bring several topics, such as work-life balance, digitalisation onto the agenda. This is particularly valuable in those countries where there have been as yet relatively few

⁷ The text of the Agreement is available as a web document: https://www.unicreditgroup.eu/content/dam/unicreditgroup-eu/documents/en/sustainability/UNIGlobalUnion/FINAL_GFA_EN_NOSIGNATURE.pdf.

discussions on these topics. These agreements are expected by both parties to add great value to the group.

The provisions of the agreement that cover implementation provide for joint employer/employee monitoring of implementation and provide for the cascading down of the information throughout the company by the signatory parties. Specifically, UniCredit makes a commitment to publish this agreement on its website and communicate it to national and local managers, as well as UNI affiliates in the different countries where UniCredit operates.

The signatory parties also agree that a joint Central Monitoring Committee responsible for implementing the agreement will meet once a year to discuss progress made in the implementation of the agreement. Both parties are equally represented on the monitoring committee, which consists of five UniCredit representatives and five UNI representatives.

Linkages and interaction of HR and social dialogue

Transnational level

HR and social dialogue are reported by both HR and employee representatives to interact well in the company. The president of the EWC confirmed this, although he also felt that in the future there should be a more central role for the EWC, based on coherent guidelines.

The trade union climate in the company and in the group is characterised as positive, responsible and constructive. It has established a strong institutional framework of formal and informal meetings; at the local level communication is on a weekly basis. There is a global strategy approach with local implementation, which is a strong trade union tradition in the group that has had a positive impact on trade union representation in central and Eastern Europe countries.

The EWC is fully aware of and engaged with the main HR drivers in the company, and recognises that the challenge for human capital at UniCredit is to develop an offer that is of a global nature but which can be implemented locally, inspired by the three drivers cited above. The EWC understands that the HR strategy is broad because it is important to be able to be agile in order to react to trends and developments.

National level

There is also a large amount of autonomy and problem-solving capacity at national level. If there is a problem in a national branch, the employees would turn to the national trade union to solve it, and not the EWC, which would only intervene as a last resort.

Trade unions at the company have also been involved in initiatives to improve work-life balance, through smart working and flexible working. There are also many examples of joint agreements on specific issues between the company and local trade unions. For example, in Italy, an agreement between the central company management and the Italian trade unions was concluded on 1 February 2018 on a Youth Plan, under which around 550 young people will be employed either on permanent contracts or apprenticeship contracts. The plan foresees 1:1 re-hiring to replace any departures. The agreement states that these positions will be part of a generational turnover strategy, designed to meet operational and development needs, primarily in the bank's commercial network.

As regards linkages between national and European level of social dialogue, bottom-up flows of information and communication is coordinated, in that if national or local representatives have a

problem, there are distinct channels through which these issues can be brought to the attention of representatives at the appropriate level. If there is a problem at the local level – for example if the Romanian representative and Romanian management cannot find a solution to an issue, they will involve the EWC or other transnational bodies at the company. This is the same in the case of Central and Eastern European countries such as the Czech Republic, Slovenia and Poland.

In cases where there has been communication on issues such as cost-saving and restructuring, it was felt by employee representatives that although the opinion of employee representatives was listened to at national level, this could be less so at central level. A key factor would be receiving information on restructuring or important changes earlier so that meaningful consultation can take place. There is also some regular contact between countries, for example between the Czech Republic and Slovakia.

Efficiency of the social dialogue

Social dialogue at UniCredit is deemed to be strong due to solid representation of workers in all countries. This guarantees a robust exchange with management and strong collective bargaining. This is important, as agreements concluded at the central level must be implemented in all countries. This is achieved through strong awareness and buy-in on the part of the EWC representatives and employee representatives in the countries in which UniCredit operates.

Interviewees from both the HR and the employee representative side stressed that the heart of the group's HR policy was a global strategy approach with a local implementation and therefore there is no real top down-bottom up process. Nevertheless, interviewees spoke of some of the dynamics of the social dialogue. For example in terms of the quality of the exchange and volume of information flow.

'The social dialogue is at a good level, with good levels of consultation. There is a lot of information exchange, with due regard to privacy issues. Social dialogue has been growing in stature in the company and now addresses many issues that have transnational impacts.' (Head of labour and industrial relations, UniCredit HQ)

Social dialogue was felt to have become much more prominent in the company as it now addresses issues that have transnational effects. The top-down process of dialogue works well in that information is communicated from the EWC down to the national employee representatives in each country. From the point of view of the trade union in the bank's operations in the Czech Republic, the EWC provides a significant amount of support to local trade union representatives. In the Czech Republic, the social dialogue at national level has gained in significance in that there is a new sectoral agreement. Nevertheless, company-level bargaining is limited as the Czech office is part of the UniCredit group.

Overall, contact has been strengthened by the use of email, which has created stronger relationships and linkages between employee representatives throughout the company. Nevertheless, the trade union representative in the Czech Republic interviewed for this research felt that social dialogue should be more decentralised, with more focus on the national level, and that there could be more communication and information-sharing from the central level to the individual countries.

'The union climate in the group is positive, responsible and constructive. In our group there is no problem talking with the unions: we have a frequent dialogue. We have formal and informal dialogue and at the local level we talk every week.' (EWC president)

The view of central management is that the group has always had a European vision and together with the EWC they are making strong efforts to strengthen the vision of the pan-European company. This includes also the idea of transferring practices such as dialogue with trade unions to countries in which this has not previously been a strong practice. This was echoed by the EWC:

'We also see in the social dialogue we with the EWC have one of the goals in central Eastern Europe to strengthen the local trade union dialogue. We are interested in the local trade union dialogue being productive, effective and genuine.' (EWC president)

There has also been good engagement and involvement of trade unions around restructuring activities in the past, including those that have involved workforce reductions:

'We have put into place industrial plans in the past that have led to a large reduction in personnel, but in a socially responsible manner. The union not only helped to manage the number of redundancies but also the impact on the organisation.' (Head of labour and industrial relations, UniCredit HQ)

Main challenges

One of the main challenges for social dialogue at UniCredit is that the concept of transnationality is difficult to define in the finance sector. It would also help if the EWC Directive was reviewed and updated in order to give clearer operational guidelines for the EWC.

The differences between the countries in which UniCredit operates is also identified as a significant challenge. The biggest challenge is the variation of employment practices, customs and the regulatory framework. It can therefore be difficult for the EWC to operate effectively and ensure best practice for all the employees in the group. Local labour market conditions vary between countries, but can have an influence on the priorities of the local employee representatives. For example, in the Czech Republic, the labour market is tight and it is difficult to find staff, which puts pressure on pay levels.

In particular, the context in which branches in central and eastern Europe operate is very different, which can also, however, be an advantage:

'The average age is lower, the ability to acquire languages is higher, and the culture is different; this is a great wealth of the UniCredit group.' (EWC president)

There are also issues around the strength and influence of the different EWC members, as the EWC is perceived to be dominated by Italian and German members.

As the representative of the Czech Republic noted in relation to the question: *"Do you feel that you are in equal position with your western European colleagues"*:

'Of course not. Maybe it could be the number of trade union members. The trade union is not so strong in the Czech Republic as it could be, and there is a very strong social dialogue in Italy and Germany. They have special labour courts and special regulations and they have to talk to all councils ... our law unfortunately was changed so we don't have so many possibilities. Sometimes we feel in

this multinational group we feel as people of a second category.' (Czech trade union representative and member of the EWC select committee)

Digitalisation is a huge challenge for the sector as a whole, as there has been a rapid shift from traditional banking to online banking and high-tech financial transactions. It is therefore important to keep pace with these challenges and also to ensure that legislation keeps pace with this change. In addition, the EWC as a structure has to adapt its functioning to recent trends, particularly in the area of digitalisation.

Another challenge is Brexit, which will have to be managed, in the view of the HR function. The bank has 400 workers in the UK at present.

Language can also be a limiting issue. For example, this is the view of a trade union representative in the Czech Republic:

'We had an Italian HR department that spoke only Italian, so it was very hard to communicate, now we have a new CEO with whom I speak [about pay issues] every 2 months, and with HR every 12 weeks.' (Czech trade union representative and member of the EWC select committee)

There are many challenges to be met in terms of business organisation in the company, and inevitably there can be tensions, as most issues tend to be interlinked. For example, if a reorganisation takes place in Germany it will have repercussions in Italy as well. Outsourcing decisions can create particular tensions.

According to manager interviews at UniCredit HQ, the employee representative vision has moved from a national viewpoint to a much more global vision, based on shared and realistic goals, with good leadership and direction. There is also much more sharing of common interests, although there are still situations in which sharing of information and collaboration is difficult. In the past, there have been rather tense meetings when cuts had been announced in some countries.

Although the EWC cannot initiate strike action, employee representatives in individual countries can do so. Overall, it was felt by interviewees that the nationally-focused viewpoints of employee representatives have to be overcome in order to enable the EWC to carry out a leadership role and contribute to a common and realistic vision of the company's goals.

References

UniCredit (2009), *Sustainability Report 2008*, Milan.

UniCredit (2019), *Integrated Report 2018*, Milan.

Annex: Interviewees

Company	Interviewees	Country
ABB		
	Head of Global HR Services (GBS HR) and ABB Corporate Head Labour Relations	Switzerland (HQ)
	President ABB European Works Council (ABB ECE), Chair of the Central Works Council ABB Germany and Member of the Supervisory Board of ABB Germany	Germany
	GBS Labour Relations Manager, Global Labour Law Manager, HR Policies ABB Germany Lead	Germany
	ABB Head of Labour relations Finland	Finland
	Employee representative, member of EWC and EWC Steering Committee	Finland
	ABB Head of Labour Relations Poland	Poland
	Employee representative, member of ABB ECE and ECE Select Steering Committee	Poland
Unilever		
	Chairman of the UEWC, chair of the Central Works Council Unilever Germany, Vice-Chairman of the Unilever Germany Supervisory Board, chair of the Unilever DACH Works Council, trade union NGG	Germany
	Vice-Chairman of the UEWC, UEWC European Coordination Committee (ECC), ECC Feedback Group, CFDT France	France
	Unilever Global HR Leadership Team, Executive Vice President of HR Business Transformation	UK (HQ)
	UEWC member and member of the ECC. Port Sunlight Unite Senior Steward, Unilever UK Ltd	UK
	UEWC, UEWC ECC, member of the ECC feedback group, COR Chairman Unilever Netherlands, Chairman of Works Council Weena Rotterdam	Netherlands
	UEWC, UEWC ECC, member of the ECC feedback group, Unilever Research and Development Centre Lithuania SU Mazeikiai	Lithuania
	UEWC, UEWC European Coordination Committee (ECC), shop steward, Finance Accountant, Denmark	Denmark
	Chairwomen of employee representation Unilever Switzerland, SU Thayngen, member of the DACH Works Council	Switzerland

Case studies on social dialogue and HR practices in four European global companies

	Member of the UEWC, Chairwomen of Unilever Central Works Council Austria, white collar trade union GPA-djp	Austria
	UEWC member, Chair of the Works Council of Unilever site Heilbronn, Vice-Chair of the Unilever Central Works Council, Member of Unilever Germany Supervisory Board Germany	Germany
	Chair SU Heppenheim, member of the Unilever Central Works Council, trade union NGG, Germany	Germany
Danfoss		
	Chairman of the Danfoss EWC, Business development manager at Danfoss Ventures, Region Syddanmark, Sydjylland	Denmark
	Danfoss EWC, 3F Trade Union and Shop Steward, Danfoss Nordborg Denmark	Denmark
	Danfoss EWC, Tekniker AT Danfoss A/S, Region Midtjylland, Shop Steward, Teknisk Landsforbund, TL trade union, Denmark	Denmark
	HR Director, HR Operations NER, Danfoss A/S, Denmark, Employee-elected Member of the Board of Directors	Denmark / Nordic Region
UniCredit		
	Head of Labour Policies, Industrial Relations and H.R. Services UniCredit	Italy
	President of the EWC of UniCredit (2 interviews)	Italy
	Secretary responsible for coordination at UniCredit group level	Italy
	Trade union representative and member of the EWC select committee	Czech Republic

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