European Works Councils: Between Statutory Enactment and Voluntary Adoption

Wolfgang Streeck *
Sigurt Vitois **

* University of Wisconsin-Madison
** University of Wisconsin-Madison
Wissenschaftszentrum Berlin

September 1993
ISSN Nr. 1011-9523

Research Area:
Labour Market
and Employment

Research Unit:
Economic Change and
Employment
Wolfgang Streeck
Sigurt Vitols
European Works Councils: Between Statutory Enactment and Voluntary Adoption
Discussion Paper FS I 93-312
Wissenschaftszentrum Berlin für Sozialforschung 1993

Forschungsschwerpunkt: Arbeitsmarkt und Beschäftigung (FS I)
Abteilung: Wirtschaftswandel und Beschäftigung

Research Area: Labour Market and Employment
Research Unit: Economic Change and Employment

Reichpietschufer 50
10785 Berlin
Abstract

In the past few years an increasing number of multinational companies have established arrangements for the regularized exchange of information between management and employee representatives at the European level. One explanation for the appearance of these so-called European Works Councils focuses on the needs of enlightened multinationals for greater employee identification with the company and for an integrated personnel policy in the context of the completion of the Single European Market. Another explanation focuses on the strategic interests of different national unions and on the desire of multinationals to forestall the mandatory European Works Councils proposed by the European Commission Directive through voluntary arrangements. An examination of the experience of the 100 largest industrial multinationals in Europe strongly supports the second explanation.

Zusammenfassung

## Table of Contents

- A Nascent European Industrial Relations System? 1
- Statutory Enactment: Community Proposals for Workforce Participation in European Firms 7
- Voluntary Adoption: The Emergence of "European Works Councils" in the 1980s 22
- The Sources of Neo-Voluntarism 32
- Politics Versus Efficiency: Testing Alternative Models 40
- Conclusions 46
A NASCENT EUROPEAN INDUSTRIAL RELATIONS SYSTEM?
Attempts to develop legal instruments for workforce participation in multinational companies at European Community level go back as far as the early 1970s. The period was one of union strength throughout Europe in the wake of the 1968 and 1969 unofficial strike wave, and of ascendency of Social-Democratic parties in Community member states, most notably in West Germany. Industrial democracy at the workplace and in the enterprise had come to be widely perceived as an indispensable element of a neo-corporatist, trilateral, union-inclusive bargained economy, geared towards political provision of full employment at acceptable rates of inflation. In addition, expectations on the future development of the European Community were generally optimistic, based on what may be characterized as popularized versions of neo-functionalist theories of economic integration. Together, the rise of Social Democracy and a belief in market integration requiring institutional and political integration produced a set of Community-wide social policy projects, the Social Action Programme -- sometimes also referred to as "Social Europe" -- which was formally adopted by the Community's heads of states and governments at their first summit in October 1972.

Most of "Social Europe" died when European integration ground to a halt in the first half of the 1980s. Indeed it contributed heavily to this event in that it gave rise to strong hostility among business against the Community. When in the middle of the decade the integration process was relaunched with the ratification of the Single European Act and the adoption of the Internal Market program, the European Commission under Jacques Delors attached to the latter a new, less ambitious version of "Social Europe", referred to in Community jargon as the "Social Dimension". Very little of this, if at all, has as yet found its way into Community legislation, and even less is likely to be adopted in the future (Streeck 1992). Still, while the Community's actual social policies after 1985 differed increasingly from what had been envisaged in the Social-Democratic 1970s, the Commission in particular continued to present them as a series of steps towards the eventual formation of a federal-European social welfare state, ultimately replicating at supranational level the sequence of events and stages that characterized the development of Europe's national welfare states.
Nowhere is this view of the dynamics of integration more visible than in the area of industrial relations. In an only slightly simplified account, federalist optimism on the emergence of a European industrial relations system appears to be informed by a background model of supranational institution-building that envisages three steps, at the end of which stands a unified European system of collective bargaining and labor market governance. Roughly, the model includes the following assumptions:

1. The creation of an integrated labor market under the Treaty of Rome and the Single European Act requires countries to modify their national social policy regimes to allow for free cross-border mobility of labor (the requirement of system compatibility). At the minimum, countries that participate in the common market must develop interfaces between their regulatory regimes (e.g., provide for outward portability of social security entitlements and generally forbid discrimination against citizens of other Community states). While obligations to this effect may be created by intergovernmental agreement, its efficient enforcement will require that it be turned over to supranational agencies, wielding at least some degree of independent power over recalcitrant member states. Over time, such agencies will develop not only strong institutional self-interests but also the political skill and entrepreneurship necessary to expand that power.

2. Successful market integration is bound to result in a steady increase in the number and importance of transnational activities and actors, subjecting national systems to ever more, and ever more significant, external effects that originate outside their territorial jurisdictions. One consequence of this is inter-regime competition, with mobile market participants threatening to exit to jurisdictions where regulations are more amenable to them. Faced in this way with declining domestic governability as a result of growing interdependence, national actors -- in particular, governments and unions -- will need to rely on international arrangements to defend their governing capacities. Especially where transnational actors, such as multinational companies, are involved, national agents will find themselves constrained to turn over regulatory competence to a new, "federal" layer of supranational institutions, with a power base and enforcement capacity of their own that is not reducible to national agents and national states, or to specific bargains between them.
3. While originally national actors may create supranational institutions exclusively to repair their "sovereignty", under conditions of high and rising international interdependence federalist optimism expects supranational governance increasingly to supersede or absorb national governance. Continuing progress of economic integration; growing strength of the supranational institutions in charge of imposing compatibility and regulating regime competition and transnational actors; as well as increasingly successful, and federally encouraged, articulation of interests in equalization of rules and living conditions, will set in motion a movement towards harmonization of national regimes, resulting in less and less variation between national systems due to supranational, "federal" creation of common standards or, at least, of a meaningful common floor. In this way, institutional changes that were originally meant to defend the sovereignty of national systems under interdependence, are expected to result in a gradual conversion of national systems into sub-systems of a federal regime that more or less narrowly circumscribes their autonomy.

Community industrial relations policy, to the extent that it was framed by the proponents of "Social Europe" and, later, of the "Social Dimension", has from early on aimed at building institutional nuclei for a full-fledged, supranational industrial relations system for Europe, ready to serve as a receptacle for the eventual federalist supersession and absorption of national systems of labor market governance. Informed by the image of the standard national industrial relations system of the postwar period, the Community’s, and especially the Commission’s, efforts have proceeded, and continue to proceed, on three levels: the macro-level of the European economy as a whole, seen as the future locus for tripartite concertation between the European peak associations of the "social partners" and the Commission as an incipient European executive; the meso-level of European industrial sectors, conceived as the emerging site for integrated collective bargaining; and the micro-level of the European enterprise, with collective worker representation vis-a-vis management under some form of "industrial democracy". While on each level European industrial relations may at first have to be limited to issues of national regime compatibility; to the regulation of transnational actors; or to the domestication of external effects, in the federalist, European welfare state perspective European arrangements on all three levels are
conceived as capable of extending "downward" into national systems, first to "har­monize" and then to incorporate them under federal guidance.

The present paper will concern itself exclusively with the micro-level of European Community industrial relations. The thrust of its argument, however, applies to the other levels as well, and in fact to European social policy in general. In brief, the paper sets out to make two points:

First, neo-functionalist or, indeed, pluralist-industrialist (Dunlop et al. 1958) optimism on the impending growth of federal-European industrial relations is inspired by tacit assumptions on the technical necessity, political inevitability or competitive superiority of a "mixed", "bargained", "organized" or "managed" version of a developed capitalist economy. These appear to be a legacy from early integration theory which -- strongly influenced by the worldview of French technocracy -- had as a matter of course embraced the postwar belief in the indispensability and desirability of state interventionism and economic "planning". The breakdown of the postwar economic order in the 1970s and 1980s, however, and the ensuing "de-regulation", or de-institutionalization, of Western economies have reminded us that what may in shorthand be referred to as the Andrew Shonfield variant of modern capitalism (Shonfield 1965) is just one out of a number of alternative, and highly dissimilar, possible models of capitalist political economy. Which one of these a society adopts, the present paper argues, is to an important extent a matter of political choice and depends crucially on the distribution of power in formative historical situations. In the case of the European Community in the 1980s and 1990s, there seem to be surprisingly few institutional and political resources available that could contain market pressures against institutional intervention and regulation; for a largely unfettered exercise of property rights; and for public encouragement of a "free", "self-regulating" pursuit of economic interests.

Concerning industrial relations specifically, the paper takes the view, in brief, that incomplete, unstable, contradictory and fragmented institutionalization of employment relations may well be desirable from the perspective of powerful economic interests, and that unless other interests prevail, deregulation, under-institutionalization or, in the European Community case, a wide and endemic gap between
market integration and supranational institution-building may be a preferred political outcome, resulting in lasting suspension of the apparent automatism of functionalist models of supranational institutional development. In particular:

1. Integration may never proceed much beyond the creation of interfaces between national systems. Also, supranational enforcement agencies may never be permitted to expand their mandate beyond the provision of guarantees of individual "civil rights" in Marshall's sense, i.e., of equality of access to market and contract. To this extent, the result of integration would be nothing more than increased cross-border factor mobility, giving rise in turn to unmitigated inter-system competition. In the social policy and industrial relations field, this would entail the possibility of higher mobility of labor into, and of capital out of, areas with high labor standards, exerting downward pressures on such standards, or at least putting a chill on initiatives to raise them further. Supranational imposition of regulations facilitating cross-border mobility may thus de facto amount to less regulation, or de-regulation, and supranational enforcement of system compatibility may effectively result in disengagement of politics from the economy.

2. National governments, rather than necessarily perceiving external effects and regime competition as a threat to their internal sovereignty, may use them to control demands from unwieldy domestic interests such as trade unions. Moreover, business firms may be positively interested in non-regulation of cross-border external effects, as a step towards retrenchment of political intervention in general, and may even agree to supranational integration only on condition that it not include restoration or replication of state interventionism at supranational level. While handling transnational activities with national means may at times have awkward results, absence of supranational regulation allows mobile actors to choose between regimes, and this may be worth more to them than institutional tidiness. Where supranational reconstitution of actors, processes and regulations is perceived as too costly, either for market freedom or for national sovereignty, integration may get stuck with the creation of regime interfaces allowing transnational interests to operate in a single market without a single state. Faced with the choice between formally transferring their sovereignty to an emerging supranational state, or refraining from its domestic exercise in the service
of greater freedom of "market forces", governments of conservative complexion will likely opt for the latter, given the support this will earn them from their business clientele and the fact that for them "deregulation" would in any case have represented the most legitimate domestic use of state sovereignty.

3. "Harmonization" of national regimes, to the extent that it is deemed desirable at all, need not necessarily be accomplished by supranational political rule-making. An alternative road to uniformity is the free play of "market forces". While harmonization of standards through competition is likely to yield different results than harmonization through political regulation -- especially, of course, in the area of social policy -- such results may be preferred by economically more powerful or institutionally better-placed parties. As a consequence, the integrated, "single" market may for a long time continue to be governed, or not to be governed, by a multitude of fragmented, uncoordinated and competing national jurisdictions, with equalization of conditions having to come about "spontaneously" and without political guidance. In particular, as has been pointed out elsewhere (Streeck 1992), political harmonization between Community countries, or the upward transfer of governing capacity from member states to an emerging supranational welfare state, may for a long time, and indeed perhaps permanently, be blocked by a coalition between business interests in de-regulation, and interests of national states in preserving the predominance of inter-governmentalism over supranationalism -- a coalition, in other words, between neoliberalism and nationalism, as embodied in the 1980s by the British government of Margaret Thatcher.

The second point this paper makes, following from the first, is that integration theory should take more seriously the emergence of non-statutory, non-legally mandated industrial relations in Europe, especially the proliferation of voluntarily instituted European "works councils" within multinational firms. While these tend to be widely regarded as intermediary steps in an assumed movement towards supranational replication and, ultimately, absorption of the "standard", multi-layered national industrial relations systems -- a process that would eventually "require" to be properly regulated in Community law -- it is argued here that what one sees in Europe today may in fact be what one gets: an irregular pattern of idiosyncratic industrial
relations arrangements that mushroom in the empty spaces between competing national and supranational jurisdictions, producing an untidy melange of highly heterogeneous, systematically uncoordinated and "flexible" -- in the sense of permanently changing and easy to revise -- provisions for "privatized" governance of European-level employment relations. The bulk of this paper will survey the contours and investigate the sources of what it regards as an emerging neo-voluntarist industrial relations system at European level -- a system of "private ordering" (Williamson 1979) that, with the political construction of a public Social Dimension being far from automatic and indeed unlikely, may increasingly begin to take its place.

STATUTORY ENACTMENT: COMMUNITY PROPOSALS FOR WORKFORCE PARTICIPATION IN EUROPEAN FIRMS

Beginning in the early 1970s, the Commission of the European Community has put forward a number of legislative initiatives on legal participation rights for workers in European firms. Emerging from different policy contexts and based on a variety of Treaty articles, none of these have been enacted, and recently the prospects of enactment seem to have declined even further. Works councils, or arrangements that bear some similarity to them, were included in some proposals but not in all.

In particular, workforce participation has come to be a concern for the European Community in three contexts: (1) the "harmonization" of national systems of company law; (2) the development of supranational, "European" company law; and (3) the creation of legal rights for workers vis-a-vis management to information and consultation. It is only in the latter respect that workforce participation is considered a matter of labor law and social policy and falls under the jurisdiction of the Commission’s Directorate General for Employment, Industrial Relations and Social Affairs (DG5).^1

(1) In the early 1970s the Community regarded differences in national systems of company law as "restrictive conditions on the freedom of establishment within the

^1 The following draws in particular on various editions of European Industrial Relations Report (EIRR), especially No. 207, April 1991, pp. 23-27; Addison and Siebert (1991); and Hall (1992).
Community" (Article 54 of the Treaty of Rome), claiming that this gave it a mandate to pursue "approximation and harmonization" of such systems. The Community's classical instrument for harmonization is a "directive", which once enacted obliges member countries to rewrite their laws in accordance with it. In pursuit of harmonization, the Commission drafted a number of directives on company law, one of which -- the famous "Fifth Directive" -- deals with the governance structure of public limited liability companies. The original draft was issued in 1972. Responding among other things to the then social-liberal German government which was bent on expanding the German system of company-level co-determination, it proposed to prescribe a two-tier board system with an obligatory supervisory board that would include employee representatives.

The 1972 draft never got anywhere near enactment. In 1983 the Commission presented a revised version, which raised the minimum size for companies falling under the statute from 500 to 1,000 employees. More importantly, it offered firms and national legislators a choice between four alternative models of workforce participation in company governance: the two-tier board system of the first draft, with one third or one half of supervisory board members coming from among the workforce; a single board with employee representatives as non-executive members; a company-level representative body of employees only (something akin to a works council without, however, being so called); and any other participation structure provided it was collectively agreed between employer and workforce. The draft tried to ensure that access to information and rights to consultation and co-determination were the same regardless of what model was selected.

(2) In addition to harmonizing national company law systems, the Commission also proposed to create a European Company Statute. European firms would be given the option to incorporate under that statute, as an alternative to incorporation in national company law. A firm incorporated as a "European Company", or Societas Europaea, would have the advantage of being ipso facto considered incorporated in all Community countries, making it unnecessary for it to seek incorporation in different national legal systems. The first draft of the Statute was presented in 1975 and required European companies to have a supervisory board that included employee
representatives with full rights to information and co-decisionmaking, as well as a European Works Council. This combination of company- and workplace-level co-determination was the closest the Community came to a wholesale adoption of the "German model".

Just as the Fifth Directive, the European Company Statute got stuck in the legislative process, and in 1989 a revised draft was presented. The major change was that the draft dropped the German dualism of supervisory board and works council representation, and instead offered the same menu of alternative arrangements as the 1983 revision of the Fifth Directive. Concerning the rights of worker representatives, while the 1975 draft had emphasized co-management and co-determination, especially via the supervisory board, the 1989 version emphasizes information and consultation, again moving closer to the Fifth Directive in its revised form.

(3) It was only relatively late that workforce participation came to be dealt with as a matter of labor law in a narrow sense, in competition with the Community's initiatives on company law or, more precisely, in response to their lack of progress. In 1980 the then Commissioner for Social Affairs, Henk Vredeling, issued a broadly written draft directive on information and consultation rights for workforces, which came to be known as the "Vredeling directive". The initiative drew on Art. 100 of the Rome Treaty, which requires "approximation" and "harmonization" of legal provisions in Member states "as directly affect the establishment or functioning of the common market". Politically, it tried to utilize the momentum of the Community's Social Action Program of 1972, which had in the meantime resulted in the passage of a number of social policy directives. Two of these, the Collective Redundancies

---

2 On German co-determination see Streeck (1984).

3 While the first draft had been responsive to German desires to make it impossible for German firms to escape from co-determination by emigrating into European company law, the second draft accommodated fears in other countries and by employers generally of being forced into a "German model". This, in turn, led to a debate over the equivalence of the alternatives offered, and especially over "how to prevent German companies from dropping their Works Councils if, say, freely bargained systems of employee involvement (such as those in Britain) became an option" (Addison and Siebert 1991, 622).
Directive of 1977 and the Transfer of Undertakings Directive of 1979, provided for workforce information and consultation in connection with the specific events they addressed (Addison and Siebert 1991). The Vredeling initiative can be seen as an attempt to extend the information and consultation rights member countries had accepted for firms undergoing economic restructuring, to firms in all economic circumstances, thereby bypassing the legislative deadlock over the structure of company governance and bringing workforce participation within the ambit of Community social policy.

The 1980 Vredeling draft was largely agnostic on structural matters. While it specified in great detail a wide range of information on financial, economic and employment issues to which workforces were to be regularly entitled, and in addition established legal consultation rights on any decision likely to have "serious consequences" for employee interests, it followed the example of the Collective Redundancies and Transfer of Undertakings directives by assigning the exercise of the new rights to "existing employee representatives by law or practice". Another defining feature of the draft was that it focussed on companies with subsidiaries, and was centrally concerned with access of workforces in branch plants to information held by management at headquarters -- and perhaps strategically withheld from local management. In fact, the main thrust of the initiative was to make it impossible for local management to excuse itself from legal obligations to inform and consult on the grounds of centralization of information and decision-making in the parent company or at company headquarters.

In trying to create legal obligations for firms relative to their workforces in subsidiary plants, the draft directive simultaneously addressed three situations: where both headquarters and subsidiary are located in the same European Community country; where the headquarters is based in a different Community country than the subsidiary; and where the headquarters is located outside the Community. While the

---

4 Employees sitting as worker representatives on company boards, however, were barred from exercising rights under the directive. Apparently, this was to ensure that unions and shopfloor representatives could not be excluded from collective participation rights.
first situation is relatively easily covered by national legislation (although the directive would have constructed a common floor for all national systems), the second suggests itself as a classical case for supranational regulation of transnational relations and externalities, given that the law of the country with the subsidiary is likely to find it difficult to govern the behavior of a headquarters located on foreign territory. The third situation also raises the question of exterritoriality, but in the relation between the Community and third countries.

The draft Vredeling directive met with unprecedented hostility from business, European and extra-European (DeVos 1989). In part, this may have been because of the high specificity of the information and consultation rights stipulated by the draft. Still, it is hard to see how the substance of the directive should have justified the fierce battle that ensued. Very likely, that battle was more over the Social Action Program as a whole and over the Community’s continued, time-lagged pursuit of a social-democratic agenda, in spite of the accession to power of conservative governments in Germany and Britain and the rising themes of supply-side economics and “Eurosclerosis”. It is also possible that the prospect of European labor law enabling a potential European supranational state to acquire a capacity to regulate the internal affairs of multinational corporations appeared so profoundly disturbing to business that it may have felt it necessary to dispose of the threat once and for all. In any case, although the Commission in 1983 watered down its draft significantly -- by limiting its jurisdiction to firms with at least 1,000 employees and by reducing the range and frequency of the information to which workforces would be entitled -- it was unable to save its proposal. Under heavy fire from business and with a British veto certain, the Council declined in 1983 to vote on the revised directive, and has since failed to take the matter up again.

The defeat of the Vredeling draft marked the end of the Social Action Program, and indeed of the attempt of the 1970s to endow the Community with a welfare state-like social policy. It also documented the exasperation of business with the post-1970s Community, as well as its new clout in Community politics. When after years of stagnation European integration was relaunched in the mid-1980s, the designated vehicle for this was the Single Market program with its deregulatory thrust.
It was only later that the Delors Commission began to make attempts to attach what was now called a "Social Dimension" to the increasingly integrated European economy. In this context, workforce participation returned on the Community's legislative agenda.

After long deliberations and preparations, the Commission in 1990 issued a draft Directive on European Works Councils, as a successor or substitute for the Vredeling directive. Like the latter, the 1990 draft is about workforce information and consultation rights; originated in the Social Affairs directorate; and invokes Art. 100 of the Rome Treaty. It also contains essentially the same rights for workers as the second, weakened version of Vredeling (European Industrial Relations Review 1991, No. 207, April, p. 27). However, unlike Vredeling the new directive specifies a structural arrangement, "European Works Councils", in which workforce information and consultation rights are to be vested. (But it also gives management and labor at company level the choice to set up alternative structures by collective bargaining.) Also, while the Vredeling directive made specified information and consultation arrangements obligatory for firms beyond a certain size, the new draft requires that workers, unions or management take an initiative for a European works council or an

---

5 Indeed the new draft was often referred to in Brussels jargon as the "son of Vredeling". The text can be found in European Industrial Relations Review No. 206, March 1991, pp. 29-32.

6 The Single European Act of 1986 introduced "qualified majority voting" for measures "which have as their object the establishment and functioning of the Internal Market" (Art. 100a). However, "the rights and interests of employed persons" were excepted from this and could, as previously, be decided upon only unanimously. The exception here, in turn, were "improvements, especially in the working environment, as regards the health and safety of workers" (Art. 118a), which came under qualified majority voting. In 1990 the Commission rejected suggestions to introduce the European Works Councils Directive as a health and safety measure, or to base it on Art. 100a on the grounds that information and consultation rights affected competition in the Internal Market (Hall 1992). As a consequence, passage of the draft at the time of its presentation required unanimity in the Council. There was, however, an expectation that the intergovernmental conferences that were to result in the Maastricht Treaty would lower the threshold for passage (see below).

7 Vredeling, of course, had proposed to assign the new information and consultation rights that it created to existing local workforce representatives.
equivalent mechanism to come into being; at least in principle, this leaves the possibility of consensual non-application of the law. And finally, the 1990 draft is to apply only to "undertakings or groups of undertakings" that have at least 1,000 employees and are significantly present, with establishments or group undertakings employing 100 workers or more, in at least two Community countries.

Works councils, then, have appeared in a number of Commission drafts on workforce participation: as an alternative to board-level representation in the 1983 draft of the Fifth Directive; as a supplement to it in the first, 1975, draft of the European Company Statute; and again as an alternative in its second, 1989 version. The European Works Councils Directive differs from all of these in that, among other things, the works councils it proposes are for the exercise of information and consultation rights only; are to be formed exclusively at the headquarters of multinational companies; and, unlike for example through the proposed European Company Statute, are not elected under a common procedure, but consist of delegates from local plants that are elected by local workforce representatives or workforces in accordance with national law and practice.

8 The requirements for "triggering" the creation of a European Works Council or some other information and consultation mechanism are, however, easy to fulfill. In this respect, the proposed legislation resembles the German Works Constitution Act which has similar, easy-to-meet requirements for the establishment of a works council.

9 According to Sisson et al. (1992), the directive would affect about 880 Community-based firms with together 13.5 million employees, and a large part of an additional 280 multinational companies based outside the Community. 332 of the Community-based firms are British, and about one half of the non-Community companies have a significant British presence. This helps explain the resistance of the British government to Community legislation, as well as the importance for the Community that Britain be covered by it. It also dramatizes the significance of the British "opt-out" under the Maastricht Treaty (see below).

10 Although the Social Charter and the Social Action Program seemed to suggest that there would also be a participation element in the Commission's forthcoming proposal.

11 It is not clear, and has hardly been discussed, how the proposed European Works Councils would fit into the workforce participation provisions of the Fifth Directive and the European Company Statute, and especially the menus of options the revised drafts are offering.
TOWARDS NEO-VOLUNTARISM: THE POLITICS OF THE 1990 DRAFT DIRECTIVE

To understand the evolution of the Community's legislative projects, it is useful briefly to consider the politics of European-level workforce participation, as they developed in the 1970s and 1980s. While initially, in the years after the worker unrest of the late 1960s, the "German model" of supervisory board and works council codetermination seems to have been regarded by most Community governments as the most advanced way of achieving labor peace, and therefore as the inevitable benchmark of European "harmonization", subsequently more traditional concerns with protecting the integrity of national industrial relations systems and preserving managerial prerogative became again dominant. Also, British membership increased the diversity of industrial relations inside the Community and made harmonization more difficult, both technically and politically. Employers, for their part, had always been opposed to any Community social policy that went beyond the proclamation of non-controversial and non-binding general principles. Legislation on workforce participation in particular was and is rejected as inevitably "inflexible" and destructive of "the variety of information and consultation procedures evolved by companies to suit their particular circumstances" (Hall 1992, 9; see also Tyszkiewicz 1992).12

European unions, in turn, have a long history of unsuccessful attempts at bargaining with multinational companies through international company committees and sectoral union federations (Levinson 1972; Northrup and Rowan 1979; Grahl and Teague 1991). In the early 1970s, they had come to regard European Community legislation on worker participation as welcome and indeed indispensable assistance for their international organizing activities, in that it promised to force companies to enter

12 A concise summary of the position of UNICE, the European peak association of employers, is provided by European Industrial Relations Review, 1991, No. 207, p. 27, to the effect that allegedly the draft "takes no account of national legislation, employers' authority, the autonomy of the 'social partners', and economic necessities".
into least some kind of industrial relations at the European level. At the same time, many unions in Europe were uneasy about the emerging hegemony of the German model, entailing as it did participation of unions in management, industrial unionism, and a strong role for legal regulation. To the extent that Community company or labor law was likely to diffuse these and other elements of the German system to other countries, it was bound to upset the vested interests of a large number of union organizations and officials. Moreover, Community legislation on workforce participation also threatened to force unions to choose between nationally and ideologically sacrosanct principles like union-based and "second channel" forms of industrial democracy, legally secured co-determination and voluntary collective bargaining, and bargaining at company and sectoral level -- choices that were and are likely to be beyond the political capacities of European union confederations. While unions' conflicting commitments and preferences were not always visible -- especially when legislation seemed unlikely to be actually passed -- employers and governments frequently used them to argue that strongly normative proposals like the first drafts of the Fifth Directive and the European Company Statute were "unrealistic" and did not even have undivided support from European unions.

The draft European Works Councils Directive of 1990 must be read as an attempt to steer clear of the political conflicts and dilemmas that had destroyed Vredeling and stalled the progress of European company law:

1. While the first European proposals for legislation on workforce participation covered all firms above a certain size, the Vredeling draft extended only to firms with subsidiaries. However, although its language applied to national and multinational firms alike, its principal target were multinational companies with their ability to use

---

13 In addition, the intense restructuring of the European economy that began in the late 1970s gave rise to strong interests in information and consultation rights, even among unions that had in the past regarded such rights as dispensable.

14 The closest the British TUC came to reconciling itself with some form of "German model" was its half-hearted adoption of the 1978 report of the Royal Commission under Bullock on industrial democracy. Due to the demise of the Labour government at the time, and the subsequent accession to power of Margaret Thatcher, the Commission’s recommendations were never acted upon by Parliament.
the extraterritoriality of their headquarters to avoid legal obligations in the host countries of their subsidiaries. During the legislative process the Commission, under fire from business interests, proposed to confine the directive to multinational companies only, in an attempt to defuse the opposition (DeVos 1989). This was countered by the claim that an exemption for national firms would impose a competitive disadvantage on multinationals, and would be a disincentive for internationalization. The 1990 draft disregards this point, probably to placate national governments by keeping interference with national industrial relations at a minimum and limiting itself to the management of externalities and transnational relations, which might more likely be regarded as a legitimate activity for the Community. This, however, does not make the competitive advantage argument less potentially dangerous.

Moreover, the 1990 draft remains exposed to the objection of non-European multinational companies, especially American and Japanese, that it proposes to make law with extraterritorial applicability outside the European Community. At the bottom of this is, again, a problem of fair competition. To avoid giving advantage to non-European over European multinationals, the Vredeling directive tried to subject the former to the same obligations vis-a-vis their European subsidiary workforces as the latter. Lacking better means, Vredeling proposed legally to designate a non-European company’s largest plant in the European Community as its headquarters for the purposes of compliance with European information and consultation requirements. In addition to violent objections from the American Chamber of Commerce in Brussels and a legion of American business lobbyists, this caused diplomatic interventions by the United States and Japan against a presumed attempt to extend European law to American and Japanese corporate citizens operating in their home countries. It has been argued that this contributed heavily to Vredeling’s defeat (DeVos 1989). The present, successor draft takes the same approach to extraterritoriality, and is therefore likely to generate the same opposition. Excluding non-European multinationals offers no solution, however, as it would again raise the question of fair competition, this time for European firms.

2. Under both the Fifth Directive and Vredeling, participation provisions were to be obligatory for all firms that fell under the jurisdiction of proposed legislation.
This was different for the European Company Statute, in that incorporation under European law was always intended to be a voluntary decision of the individual firm. In this sense, but in this sense only, the participation provisions under European company law were to be optional. The draft directive of 1990 makes having a European Works Council, or an alternative information and consultation arrangement, a little less than fully obligatory by requiring triggering activities that must originate inside the company.

3. The first drafts on workforce participation were highly prescriptive in that they laid down detailed legal rules that firms were required to follow. Later versions, beginning with the second draft of the Fifth Directive in 1983, offered firms a menu of alternative rules and structures among which they were to be free to choose. The 1990 European Works Councils Directive also takes this approach by giving firms the option of choosing alternative mechanisms for information and consultation, to the extent that they fulfill certain minimum requirements. Like the triggering procedure, this responds to business objections against "rigid" regulation, and to demands for more "flexibility". But it also accommodates reservations among European unions against works councils, whether politically or nationally motivated, and allows unions in countries without a works council tradition to seek more expedient arrangements with nationally based headquarters of European multinationals.

4. While originally Community legislation was aimed at direct legal regulation of workforce participation rights and structures, the 1983 draft of the Fifth Directive was the first to include a collective bargaining option, allowing firms and unions to negotiate their own solutions. This approach was always popular with unions less comfortable than, in particular, German unions with legislated, as distinguished from bargained, rights. The draft European Works Councils Directive assigns bargaining a prominent role in no less than three respects: the triggering of works council formation; the determination of the representative structure that is to exercise workforce information and consultation rights; and the exact definition of those rights. At the same time, by empowering collective bargaining in this way, the draft directive

---

15 Analytically, this is different from a menu-type directive that offers a set of alternatives for firms to select from.
dissociates itself from a "second channel" concept of industrial democracy and abandons previous ambitions to reform national industrial relations systems in this mold.

5. Much of European Community legislation, proposed or enacted, tried to promote harmonization of rules and procedures across countries. The Vredeling directive was partly an exception to this, in that it gave (albeit "harmonized") information and consultation rights to a variety of national mechanisms of workforce representation. Its 1990 successor diverges even further from harmonization\(^\text{16}\). While it suggests to build a unified representative structure at multinational headquarters -- the European Works Council -- its members are to be selected according to very different national practices. Moreover, the limitation of the draft to multinationals, leaving practices in national firms untouched; the -- remote -- possibility of having no information and consultation system at all; the menu character of the directive; the strong role for collective bargaining, making it possible for almost anything in the directive to be rewritten; as well as the draft's unquestioning acceptance of the legitimacy of existing national representation arrangements -- all of these together amount to a strong endorsement of national as well as company variety, documenting an unwillingness of the Community to interfere with existing arrangements and a desire to conform with -- rather than transform, unify or integrate -- diversity\(^\text{17}\).

This tendency, which is visible also in the evolution of the other proposals on worker participation, corresponds to a general change in the Community's approach to social policy that we have elsewhere described as "neo-voluntarism" (Streeck 1992): an emerging commitment to a decentralized regulatory regime with a prefer-

\(^{16}\) In this it concurs with the second draft of the European Company Statute which, while offering firms a menu of choices, also allows countries to limit those choices by national law to two or just one of the models in the directive. Countries may in this way preserve "national diversity" by shielding "their" firms from potentially uncomfortable forms of co-determination, or insulating established national practices from external, supranational pressures for change (Hepple 1990, 313).

\(^{17}\) "Indeed the approach adopted is essentially the mutual recognition of the different national systems of employee representation as the appropriate channels for the nomination of members of the European Works Council." (Hall 1992, 8)
ence for "soft" over "hard" law, and "private" over "public" order, operating under a "variable geometry" of participants that are protected from central intervention by ample opportunities for "opting out", as well as by a general presumption of precedence of both market forces and local traditions over universalistic normative regulation. The ideological underpinning for neo-voluntarism as a mode of European Community social policy is provided by a liberal, laissez-faire re-interpretation of the Social-Catholic principle of "subsidiarity" that has become current in Community politics during the late 1980s. Like its original, the new version asserts the priority of "self-regulation" by "smaller social units" at the "lower level" of "civil society". But the units whose self-governance it promotes and legitimates are not social groups in need of public support enabling them to look after their own affairs, but well-organized nation states and large corporations; the "civil society" that is to be empowered under the new subsidiarity principle is conceived, not a structure of social commitments, but as a market; and what is conveniently forgotten is the right and indeed obligation of the "higher level" of governance under the classical concept of subsidiarity to ensure that the outcomes of self-regulation are compatible with general political objectives and norms of social justice, instead of being merely market outcomes or the result of a contingent distribution of power\(^{18}\).\(^{19}\)

While the new subsidiarity principle is designed to make European Community legislation more palatable to national governments and interest groups, at the time of writing it is far from clear whether the draft directive of 1990 will ever be formally enacted\(^{19}\). Although ratification of the Maastricht Treaty may not be technically required for legislation on workforce participation, non-ratification will probably

\(^{18}\) An example of Community-style, laissez-faire subsidiarity is the stipulation in the Social Charter of 1990, itself not legally binding, that "information, consultation and participation for workers must be developed along appropriate lines, taking account of the practices in force in various Member States". Hepple (1990, 131) remarks that generally rights under the Charter "are expressed to be subject to the conditions or requirements of national law or practice. This effectively means that Member states will remain free to restrict these rights."

\(^{19}\) By extension, the same applies to the Fifth Directive on company law and the co-determination provisions of the European Company Statute.
throw the Community in lasting disarray and will for a long time close the political space for ambitious social policy projects. Even if the Treaty will in the end be ratified by all twelve Member countries, this is likely to come at the price of further restrictions on the Community’s domestic and social policy jurisdiction, in the form of additional commitments, generated and formally enshrined under the British and Danish presidencies, to a laissez-faire interpretation of "subsidiarity".

It is sometimes argued that such commitments could not really modify the Treaty, and in any case would not add much to what is already in it. While this may or may not be true, even without modification the Maastricht Treaty makes it anything but easy for meaningful social policy legislation to be passed. In particular, the relegation at Maastricht of social policy to a separate "Protocol" signed only by eleven of the twelve members, allowing the United Kingdom to "opt out" of Community social policy entirely, has raised a host of technical, legal and "constitutional" questions that are so forbiddingly complex that they may stall any legislative initiative. Not only will the jurisdiction of the European Court of Justice over social policy legislation passed by the Eleven be challenged by interested parties. More importantly, to the extent that the Eleven may try to impose participation regimes on firms in their countries, the latter may appeal to the Court or the Commission against what could be construed as a competitive disadvantage against British firms, as these would remain unaffected while continuing to enjoy unlimited market access throughout the Community. Furthermore and in particular, if the Eleven were to pass a works council directive, British multinationals, while in all other respects corporate European citizens, would technically have to be treated as exterritorial, in the same way as American or Japanese multinationals -- which would re-create inside the Community.

---

20 Ante Maastricht, i.e., under the Single European Act, Community legislation on worker information and consultation required unanimity among all twelve Community governments. The Maastricht Social Protocol places the issue under qualified majority voting among the Eleven, and in this sense makes passage of legislation formally easier. Legislation on co-determination, as distinct from information and consultation, continues to require unanimity, if only among the eleven Protocol signatories. Company law, being outside the purview of the Social Protocol, remains subject to unanimity among all twelve Member states.
the same problems that helped defeat the first Vredeling proposal\(^\text{21}\).

Even more formidable may be the political constraints created by the British opt-out. British abstention from Community social policy cannot but have consequences for the substance of the social policies the Eleven will adopt. On the exact nature of such consequences one can only speculate. There can be little doubt, however, that the Eleven will generally want to avoid testing to the end the capacity of Community institutions to absorb the uncertainties of divided social policy governance; given their revealed priorities of monetary and foreign policy integration, political prudence will tell them not to let internal diversity grow too much. Governments will also be under pressure from firms, and perhaps unions, in their countries to keep the difference between their and British social policies narrow enough not to burden their economies with costly competitive disadvantages\(^\text{22}\).

Indications are that the Commission is well aware of the additional obstacles the Maastricht settlement and its aftermath have erected for social policy. Indeed, it seems more and more likely that the Social Protocol will never be put to a test. In what looks like an attempt to cut the Community's losses, the head of the Commission's department for working conditions and labor law is reported to have stated at the annual conference of the (British) Institute of Personnel Management in late October, 1992, that the Commission was "no longer committed to legislation

\(^{21}\) Like American firms, firms with headquarters in Britain that would not want to have a multinational works council or to comply with information and consultation obligations, could refuse to obey "foreign" law and ask their government to protect them, and itself, from intrusion by a foreign government. To avoid writing unenforceable and technically illegal law for "foreign" citizens acting in "foreign" countries -- i.e., multinationals based and incorporated in Britain -- the Eleven would have to designate the largest subsidiary of a British multinational in the Eleven countries as its "headquarters" liable under "Eleven" law.

\(^{22}\) Immediately after Maastricht, the dominant view among Social Dimension partisans was that the British opt-out would clear the way for adoption of the European Works Councils Directive by the Eleven, and that this was bound to have a diffusion effect of some sort on Britain (Hall 1992). There was also the expectation that the opt-out would constitute an electoral liability for the Major government, contributing to a Labour victory in the British general election which, in turn, would lead to a British opt-in on short notice. Not much of this complacency has survived.
forcing companies to set up works councils" ("EC drops commitment to mandatory works councils", Financial Times October 31/November 1, 1992, p. 7). According to the report, the official argued that "progress could best be achieved by voluntary agreements", given that

A settlement between the two sides of industry can better take into account the many specific situations of companies with quite often complex structures than a piece of legislation coming from the Commission civil servants.

Moreover, a voluntary solution, according to the official, would have the advantage that it would cover British firms without requiring "a vote under the social chapter of the Treaty of Maastricht, which the UK has not signed". The official is also reported to have pointed to the fact that "member states had failed to agree legislation after more than 20 years of negotiation".

As yet, the Commission has still officially to own up to this position, and voices are heard that the last word has not been said. But abstention from legislation would certainly not be a break with the trend of the past decade. Quite to the contrary, full adoption of a voluntaristic approach would be in line with the long-term evolution of the politics of the Social Dimension, as signified especially by the non-binding status of the "Social Charter" and the successive rewriting of proposed participation legislation to conform with an ever more expansively interpreted "subsidiarity" principle. Ultimately, unmitigated reliance on voluntarism would probably be no more than a realistic recognition by the Community of its vanishing prospects of ever acquiring a capacity to impose binding social obligations on powerful corporate citizens.

VOLUNTARY ADOPTION: THE EMERGENCE OF "EUROPEAN WORKS COUNCILS" IN THE 1980S

Since the mid-1980s a growing number of European multinational companies and their workforces have agreed to set up supranational workforce information and consultation arrangements, usually referred to as "European works councils". By the end of 1991 eighteen of the 100 largest European multinationals in manufacturing had either
established a European works council or were planning to do so in the near future. Two companies had two councils each, making for a total of twenty European works councils.

There are conflicting views on the relationship between the growth of voluntary European works councils and the legislative proposals of the European Commission. One position, compatible with evolutionary optimism on the eventual emergence of a federal-European social welfare state, sees voluntary councils prepare the way for mandated councils (see Hall 1992). Contrary to this is the belief that voluntary councils may potentially make formal legislation unnecessary, or defuse political pressures for it. Both views are present among unions as well as employers. Interestingly, while a majority of European union leaders have come to accept that voluntary councils will expedite future legislation, many employers seem to expect that they will substitute for it. The ironic result is that there seems to be a developing convergence between employers and unions in Europe on the desirability of voluntary European works councils, for opposite strategic reasons. The remainder of this paper will explore the emerging structure of voluntary European works councils and discuss

---

23 The data used for this study is based on a survey of the experience with European works councils of the hundred largest multinational manufacturing companies in Europe. This makes the present study the one with the highest number of cases under investigation. Other studies include Northrup et al. (1988), which cover three companies; Gold and Hall (1992), which report on eleven companies with thirteen councils; European Trade Union Institute (1991), which looks at thirteen councils at twelve companies; and Myrvang (1991), which is concerned only with Scandinavian firms.

24 Two European works council-type bodies went into operation at Thomson in 1986, one involving unions affiliated to the European Metalworkers Federation (EMF), the other involving employees chosen to represent the different national workforces. Under a recent agreement the two councils will be merged in 1993. BSN set up a European Consultation Committee for its food and drink division in 1987, and a European Information Committee for its glass division in 1990.

25 A view that was for some time shared by the Commission and its Directorate for Social Affairs, which has provided funds for the training of workforce representatives on voluntary European works councils. No such funds are included in the Community’s draft 1993 budget, however.
alternative theories that may account for their existence.\textsuperscript{26} Surveying the morphology of the 20 European works councils that were established until 1991, a striking observation is the wide diversity of their institutional base and organizational structure. Only eight councils rest on a formal agreement between management and labor. In three other companies, European works councils were established by an exchange of letters, or by a letter from management to worker representatives; another council was set up by a company board resolution. In the remaining six cases on which we have information, there is no formal basis for the councils at all. In four of these, operation of the council is based on informal verbal understandings; in another two, meetings are organized and worker representatives invited at management's initiative (Table 1).

In all firms, with the exception of the two attendance-by-invitation arrangements, national unions are heavily involved in the selection of delegates (Table 2). In two firms whose councils consist exclusively of union representatives, each union organizing workers at the company's national subsidiaries is given one seat. In the other cases, seats are allocated to countries according to their percentage in the company's workforce, with delegate selection governed by national practice; if there is multi-unionism in a country, the national quota is divided up in proportion to unions' relative strength. In practice, even where delegates are exclusively plant or employee representatives -- i.e., are employed by the company and are not full-time union officials -- they are usually selected by national unions. Eleven European works

\textsuperscript{26} Information on the companies and on existing or planned European works councils was gathered through a mailed questionnaire. Supplementary data was drawn from reports in the business and industrial relations press, from companies' annual reports, and from previous studies. Particularly useful sources were the studies by Myrvang (1991) and by Gold and Hall (1992). Northrup and Rowan (1979) provided information on international union activities in 39 of the 100 firms during the 1960s and 1970s. In addition, a small number of interviews were conducted with representatives of both labor and industry. (For a description of the method used in selecting firms and respondents, see the Appendix). The sample includes a number of companies based in the US, Sweden and Switzerland in addition to those based in Community countries. These companies were included because they are large employers within the European Community and would be subject to European Works Council legislation.
councils are made up solely of company employees while five councils are composed of both employee representatives and union officials.

The number of countries covered by European works councils varies considerably, from a minimum of two to a maximum of 13. Nine councils cover between two and five countries, five between six and ten, and four between eleven and 13; in two cases, coverage by countries is unknown. With the exception of one of the Swedish-based companies, all of the works councils in the sample include representatives from European countries only. The number of worker representatives serving as council members ranges from a minimum of eight to a maximum of 80 (Table 3; note the high number of missing values). The larger European works councils tend to be the French attendance-by-invitation arrangements and the meetings of plant and union representatives at the Swedish-based companies.

Most of the councils in the sample are highly inclusive of their companies' European workforce. 13 of the 20 councils cover between 90 and 100 percent of the workforce employed by their company in Europe; some of these have started out with a smaller percentage, but once established rapidly expanded to the remaining countries. Interestingly, the Swedish-based companies are an exception in that in three cases they confine coverage of their councils to Scandinavia (while in the fourth case including worldwide operations). Also exceptional is the arrangement at Daimler Benz, where the European works council covers only European countries outside the company's home country, Germany. There is little exclusion by product area; only three companies restrict council participation to a particular product division.

Differences are much narrower with respect to the functions of councils. Only one of the 20 councils in the sample -- the one at Volkswagen -- has rights, not just to information, but also to consultation. While some of the other firms claim that council meetings do involve two-way communication, with employee representatives having a right to express their views, there are no formal consultation rights in these cases, and councils are pure information bodies27. Topics on the agenda of European

---

27 Even at VW consultation is limited to cross-border shifts in production and investment (Gester and Bobke 1992, 8). In a number of French firms (Bull, Elf Aquitaine, Thomson and Pechiney), management claims that an ongoing "dialogue"
works council meetings tend to include the company's general financial situation, changes in its organization, rationalization plans, mergers and acquisitions, training and retraining policies, as well as general marketing, production and investment strategies (Table 4). Typical border-crossing issues, however, like employee mobility between countries and allocation of work between plants, are surprisingly infrequent. In even fewer cases are traditional subjects of collective bargaining discussed; for example, wages are mentioned only once, the exception again being Volkswagen, and vacations and working time only twice.28

Many of the differences between European works councils appear related to their companies' country of origin. The very existence of European works councils seems to be conditioned by a company's national industrial relations system. Of the 18 companies in our sample that have European works councils, no fewer than 17 have their headquarters in countries with some kind of works council or industrial democracy legislation: six in France, five in Germany, and four in Sweden29. And while US or UK-based companies make up 41 percent of the sample and include some of the largest European multinationals, none of them have a European works council (Table 5).

National origin is also reflected in the institutional structure of European works councils. As has been pointed out, three of the four councils at Swedish-based

and exchange of viewpoints is occurring, and the BSN European works council in the Food and Drink division has established a "program of joint work" on a number of industrial relations issues; in all of the French cases, however, this falls short of giving worker representatives a formal right to consultation (Gold and Hall 1992, 28-9),

28 The agenda of European works council meetings was the most difficult item on which to get complete information. Many of the companies returned their questionnaires only incomplete, and press reports on the content of discussions tend to be often sketchy.

29 The remaining company is Nestle, which is based in Switzerland. Nestle is said, however, to enjoy a close relationship with the French state and French banks, as illustrated by the recent Perrier takeover. It is also reported that the European works council at Nestle originated in an agreement between the German food workers' union (Gewerkschaft Nahrung-Genuß-Gaststätten) and the President of Nestle Europe (Gold and Hall 1992, 22).
multinationals include representatives of workforces from Scandinavian countries only. More importantly, in three of the four cases, works councils are essentially regular meetings of shop stewards and union workplace officials, which devote part of their time to a presentation by management on the company's economic situation. This arrangement would seem to be in keeping with the union-based legal construction of workplace participation in Swedish legislation. Similarly, at French companies councils are joint management-labor committees while at German multinationals they are made up solely of workforce representatives, again mirroring the structure of national industrial relations systems.

National factors also influence the degree to which multinational information and consultation arrangements are formalized. At least five of the six German councils have been or will be established under a formal agreement signed by the two sides, or by a supervisory board resolution. The European works council at Bayer has been set up under an agreement negotiated between the national chemical workers' union (IG Chemie-Papier-Keramik) and its counterpart employers association (Bundesarbeitgeberverband Chemie) on the structure and functions of European-wide works councils in the chemical industry; the same agreement will govern the councils at BASF and Hoechst. By contrast, in France where collective bargaining is less widely accepted, only four of the nine councils are based on formal agreement; two were established by an exchange of letters; one by verbal informal agreement; and two, in keeping with the paternalistic traditions of French management, by management invitation to individual employees.

There may also be some industry in addition to country effects. Multinational

---

30 In one case, the council is de facto a world union council organized by the International Metalworkers' Federation. The fourth Swedish-based company has what could be called a second Swedish variant of European works councils, which includes representatives of the white and blue collar union federations from each of the Scandinavian countries in which the company has operations. This version, which involves the direct appointment of a limited number of union representatives, first appeared at a small company outside our sample in 1989; Scandinavian unions have seen the case as a precedent for spreading union involvement at the multinational group level throughout Scandinavia (Simonson 1991).

31 Information on the sixth German European works council is missing.
companies in industries experiencing substantial restructuring, such as rubber, electronics, chemicals and food processing, appear to be more likely to have European works councils (Table 6). More significant, however, seems to be that all 18 companies with European works councils are primarily engaged in industries that fall in the domain of one of three international union federations with particularly activist histories in international organizing (Northrup and Rowan 1979). Eight companies have workforces organized by affiliates of the European Metalworkers Federation (EMF); another eight are organized by members of the International Federation of Chemical and General Workers’ Unions (ICF); and two by unions associated with the International Union of Food and Allied Workers’ Association (IUF). Officials of these three international unions sit on seven European works councils, serving in at least two cases as chair of the group of workforce representatives. Moreover, even where they are not formally included in works councils, the three confederations usually coordinate the participating national unions, and often are the main negotiators.

The high diversity in the structures of voluntary European works councils would seem to be compatible with potential Community legislation guided by "subsidiarity". In spite of the enormous differences between them, none of the existing works council arrangements appears to be in violation of the present draft directive. This is regardless of the fact that the constitution of extant councils resembles more that of international union committees for multinational companies than of works councils proper -- having in common with the latter only that their expenses are paid by the employer. At the same time, functionally almost all voluntary European works councils fall short of the proposed legislation in that their brief is

32 In the EMF as well as in the ICF, the respective German affiliates and their officials play a leading role, if only because of the size and importance of their national industries. To this extent, the international union effect on the establishment of European works councils may in part be a further, hidden country effect.

33 Provided they can be based on collective agreement -- which, of course, they are now. The directive, if it was enacted, would not be likely to change the substance of such agreements significantly. Since the fallback option it envisages is an information and consultation process without a multinational institutional arrangement, unions that, for whatever reason, want such an arrangement would in principle have to take as much account of management preferences as under pure voluntarism.
strictly limited to the exercise of, voluntarily conceded and unilaterally withdrawable, information rights. In fact, as has been mentioned, it is only one council, that at Volkswagen, that has been given formal consultation in addition to information rights.

Volkswagen, of course, has for long been the privileged site for IG Metall seeking and gaining break-through industrial agreements. That it today has the most advanced European works council arrangement is therefore not surprising. Nor is it out of the ordinary that IG Metall and the EMF are together using the Volkswagen model to push for extension of consultation rights to all European works councils -- as well as for the resources necessary for such rights to be meaningfully exercised (more frequent meetings, rights for unions and worker representatives to initiate meetings, preparatory meetings for workforce representatives, and facilities for these to remain in contact with each other). It is at this point, however, that all other European employers take exception (Gold and Hall 1992). And while in Germany advances made at Volkswagen can in principle be transferred to other employers through subsequent collective bargaining with an industry-wide employers association, no such mechanism exists at the European level, and nothing suggests that it may in the foreseeable future.

In addition, while it is important to note that the draft directive in its present version would add consultation to voluntarily granted information rights, nowhere does it come close to providing for rights to co-determination. Arguably, however, it is only where a body of workforce representatives has legally enforceable rights to veto management decisions, at least temporarily, that it constitutes a "works council" in a functional sense -- i.e., a "second channel" of workforce participation in management that is backed by institutional resources other than and in addition to union

34 Although the company was less than enthusiastic about having to be the avantgarde again. For a time management at Volkswagen cooperated with what was in effect a European workforce information arrangement, while refusing to call it a European works council and to sign a formal agreement on it. This reflected its experience in Germany where the company has often come under fire from other employers that had to fall in line with precedents won by VW's strong union and, especially, works council.
strength and management interest or benevolence. Like obligatory consultation, and even more so, co-determination is unlikely to emerge from mutual agreement negotiated under a voluntaristic industrial relations framework. The German experience, just as the present survey of emergent "European works councils", suggests that if workforce participation is to include "voice", i.e., is to be more than "ear", it must be based on more than the withdrawable good will or the volatile sense of expediency of employers, or the conjuncturally sensitive market power of unions. Works councils, if they are to provide workers with a voice in the governance of the firm, require the backing of the public power, as materialized in supportive legislation. Voluntarism, whatever its beauties, results in something else, and so does a kind of legislation that is inspired by "subsidiarity" in the new, European Community sense: legislation, that is, that no longer attempts to be normative, and instead contents itself with replicating the outcomes of voluntarism.

Both subsidiarity-style legislation and recourse to pure voluntarism amount to a retreat from the older project of participatory, labor-inclusive reform of the governance of large European companies. Today that battle appears to be lost, perhaps forever. What may be surprising is how little grief there is about this. In part, this may be because the failure of "harmonization" of workforce participation dispenses national unions from changing their established practices, domestic and international. That such practices have recently not been all too successful, and are likely with increasing economic internationalization to be even less so in the future, seems to give less discomfort to many European unions than would adjustment to a publicly backed, legally mandated European model of participation and co-determination. In that sense, European unions may be no less appreciative of "subsidiarity" than European employers.

35 Words are not important -- unless they hide important distinctions and obscure crucial issues. Note that many German unionists object to the term, "European works council", since the arrangements to which it refers lack the legally enforceable rights German works councils have. Interestingly, German employers, knowing what real works councils are and how constraining they can be, do not like the term either. Bayer, for example, insists on calling its council "Bayerforum" or "Euroforum", where "forum" is to emphasize that the council's only function can be the exchange of information.
If, which is likely, the European Works Councils directive is not passed, European unions will be left with voluntary, i.e., unilaterally revokable proto-collective bargaining structures in a small although potentially growing number of large European firms, with little to no impact on both management and national industrial relations systems. To the faithful, such "councils" may be presented as progress, compared to some twenty years ago when European unions began to try, largely in vain, to set up international coordination committees for multinational companies. In reality, while the internationalization of the European economy has progressed vastly in the meantime, none of the problems that beset these committees -- from their dependence on the good will of employers to the national idiosyncrasies and interest perceptions of the unions involved in them -- have disappeared. Being no more than weakly defined international extensions and interfaces of highly divergent national industrial relations systems and union movements, there is no reason for "European works councils" not to be afflicted by the same internal tensions and external disabilities as other international union committees in the past.

36 The strategic confusion and political disunity that is covered up by adherence to "subsidiarity" is revealed, among other things, by the terminology used for European works councils. British observers usually regard these, as works councils generally, as instruments of "joint consultation" (Marginson 1992). This, of course, is in sharp contrast to the German view of works councils as organs of "co-determination". Since "joint consultation" is seen as paternalistic, the prospect of European works councils not becoming "real" works councils does not appear threatening to British unionists; in line with their tradition, they see their promise in being potential agents of enterprise-based collective bargaining (Hall 1992; Sisson et al. 1992), comparable perhaps to joint councils in a British multi-union setting. European works council legislation, then, is simply to provide a form of statutory support for union recognition, as existed in Britain before Thatcher. German unions, however, bargain industry-wide and not at company level. For them it is vitally important that company-level industrial relations remain defined as something other than collective bargaining (i.e., as co-determination), above all in large firms whose presence in industry-wide bargaining units is essential for the mobilization of strong bargaining power (Streeck 1991). As a consequence, were European works councils to become collective bargainers, German unions would have to feel threatened; on the other hand, if they became co-determination bodies, British unions would feel dragged into "joint consultation", and would at the very least feel a need for "real" collective bargaining to follow. The likely result is that European works councils will become neither.
THE SOURCES OF NEO-VOLUNTARISM

Voluntary alternatives to mandatory information and consultation arrangements in multinational firms have always figured prominently in the position of European employers. In the 1970s employers argued that they were already voluntarily observing various international codes of good conduct for multinational firms -- like those developed by the ILO and the OECD -- that included rules on workforce information; formal European Community legislation was therefore unnecessary (DeVos 1989; Teague and Grahl 1991). This position was, of course, vulnerable to being periodically discredited by instances of manifest disregard of codes, sometimes found in the firms of the very national or European employer spokesmen designated to sell voluntary compliance to the public as an alternative to legislative regulation. Later, survey studies showed that a high percentage of large European firms, including some based in Britain, claimed that they had on their own introduced procedures for workforce participation, or were thinking of doing so because of their expected economic benefits. Such findings were perceived as an embarrassment by employer associations and conservative politicians, since they seemed to contradict alarmist predictions of institutionalized information or consultation rights for workers leading to a breakdown of managerial authority.

Today the situation is different. While European multinational employers still strongly oppose any statutory regulation of workforce information rights and structures, a growing number are now willing to agree to "European works councils" on a voluntary basis. Two basic explanations have been offered for this, one political and the other economic. In the following we will discuss both in turn, and suggest a third. The final part of the paper will put alternative theories of voluntary multinational works council formation to a test.

Current political explanations for the agreement of some European employers to voluntary European works councils point to the renewed effort in the late 1980s to make supranational workforce information and consultation mandatory under European Community law. As has been indicated, the circulation of the draft European Works Councils directive gave rise to a debate among employers on whether voluntary European works councils could plausibly be presented to a potentially pro-union
European legislator as a superior alternative to formal law, or whether to the contrary they might have the unwelcome side-effect of legitimating legislation in the future, by making it more difficult for employers to argue that councils are dangerous to their companies' economic health. Under a political theory of voluntary works council formation, firms that have agreed to European works councils would have done so because they have come to accept the first of the two positions.

Explanations of voluntary councils by preemptive partial compliance of employers with potential European legislation would seem to be supported by the spectacular acceleration in the establishment of European works councils in the 1990s (Table 7). No fewer than eleven of the fifteen companies for which a founding date is known\(^\text{37}\) established their councils after the passage of the Social Charter and the circulation by the European Commission of its proposal for a European Works Councils directive\(^\text{38}\). On the other hand, inspection of the morphology of councils has shown that individual company responses to what is the same supranational political environment vary widely. Moreover, given the firm lock that employers have established on the Community's social policies in the 1980s, the Commission's capacity to threaten employers with mandatory legislation would hardly appear sufficient to make companies introduce voluntary councils as a lesser evil. Indeed, one might wonder why European employers should not have more confidence in their ability to defeat the new draft as resoundingly as the Vredeling directive; there are certainly no indications that their political position has since deteriorated. It is also not clear why

\(^{37}\) The Myrvang (1991) study of European works councils in Scandinavian companies unfortunately does not provide exact starting dates for some of its cases.

\(^{38}\) A supranational political explanation corresponds to scattered evidence of firms motivating their agreement to voluntary European works councils by the expectation that this may forestall European Community legislation. Specifically, this is said to apply to the French companies, Rhone-Poulenc and St. Gobian (Gold and Hall 1992). Also, the German chemical industry is reported to have signed the agreement with the German chemical workers' union primarily to avoid European Community legislation: "'Reglementierter Eingriffe durch die europäische Gesetzgebung bedarf es nicht', klopf Mische (Personalchef von Hoechst) die Ausgangsposition fest. Er und seine Vorstandskollegen setzen da lieber auf die bewährten Vereinbarungen mit dem 'Sozialpartner'" (Lamparter 1991, 75).
European employers, if preempting statutory by voluntary arrangements is potentially such an effective tactic, should not have responded in this way to the Vredeling draft or the Fifth Directive.

Economic accounts of voluntary council formation explain supranational industrial relations voluntarism as a response to economic efficiency imperatives deriving from, basically, two factors: changes in company operations and structures as a result of internationalization, and new demands on labor relations at the workplace. The assumptions that inform economic-functionalist explanations of this kind are summarized by Northrup et al.:

"Complex issues pertaining to human resource management, arising in the 1980s and expected to continue into the 1990s, point to the need for labor and management to co-operate in exchanging information and ideas. The introduction of new technology, the restructuring of industry and the efforts to unite Europe provide the framework for extended union-management consultation in the years ahead where the parties desire it and find it helpful." (1988, 540)

Efficiency explanations seem to be supported by the coincidence of council formation with the wave of cross-border mergers and acquisitions in Europe in the second half of the 1980s that was an intended consequence of the 1992 program. None of the presently existing councils on which we have a founding date was set up before 1986, the year the Internal Market program was launched (Table 7). However, it is not international integration per se that in an efficiency model accounts for the emergence of supranational works councils, but its consequences for company structures and, especially, personnel policies. For example, to the extent that pressures to rationalize production in Europe affect the workforces of different national subsidiaries unevenly, managements might welcome voluntary European works councils as organizational tools for gaining support or neutralizing resistance. Similarly, the inclusion

39 In the industrial sector, the number of national mergers and acquisitions, involving large companies in one European Community country, more than doubled (from 101 to 214) between 1984 and 1988. The number of cross-border mergers within the Community almost quadrupled (from 29 to 111) in the same period (Kay 1991, 360). The process extended beyond the borders of the European Community to neighboring European countries, with companies based in Switzerland and Sweden especially eager to expand their presence inside the Community.
in European works councils of delegates from newly acquired plants may accelerate the integration of their workforces in the "corporate culture". Also, companies that become more international may want to increase the circulation of technical and managerial staff between national subsidiaries, so as to expand their managers' career opportunities; to build corporate knowledge about different national consumer preferences; and to strengthen central control over subsidiaries by weakening managers' local allegiance. Circulation of staff likely requires some degree of harmonization of company personnel policy, which may in turn require the agreement of different national unions or works councils; a European works council may simplify the procedure.40

Efficiency pressures to set up European works councils are likely to differ between sectors and companies. Most of the recent restructuring has been concentrated in a few sectors, with chemicals and food processing alone accounting for half of all intra-European Community mergers and acquisitions (Kay 1991, 360). Also, three characteristics of firms would seem to be particularly important. First, the less internationalized a company -- i.e., the less dispersed its activities over different countries -- the less, ceteris paribus, its management might find internationalization of human resource management and industrial relations in its interest. Second, companies that grant their national and local managements wide discretion over production-related issues, may be less interested in multinational works councils than more centralized firms.41 Third, highly diversified companies, again ceteris paribus, would seem to be less interested in integrating production units into larger, "European" production strategies than companies that concentrate their activities on a narrow product

40 The agreements at BSN and Thomson, in which management is said to have sought union involvement in anticipation of major restructuring programs, are cited as examples of management interest in the efficiency advantages of European works councils (Northrup et al. 1988, 525). More recent interviews indicate that, on the whole, managers seem to hold positive views about their experiences with European works councils and about their efficiency contribution (Gold and Hall 1992).

41 Unions, of course, may see this differently. Even where production and human resource management are decentralized, unions may still desire multinational information and consultation rights to influence centrally made strategic and financial decisions.
range. As a result, they would stand to gain less from supranationalization of industrial relations (for more on this see Marginson 1991; 1992).

There are, however, reasons to question the logic of managerialist accounts for council formation. Rhetorically, few employers today disagree with the notion that a "modern enterprise", exposed to unpredictable markets and using advanced technology, requires the "active involvement" of its workforce. What exactly this means, however; to what extent it is at all new; and how in particular it might reflect on workforce information and consultation at supranational level, is far from obvious. Employer pronouncements on the subject support the impression that workforce involvement, to be justifiable by managerial efficiency concerns, would have to be production or workplace-centered, informal enough to be easily adjustable to changing business conditions, and firm-specific so as to fit as closely as possible a firm's organizational needs.

Specifications like these are not easily satisfied by European-level information and consultation arrangements. Production-related decisions in multinational firms are often, and perhaps increasingly, made locally. If workforce involvement is to be limited to such decisions, it must remain decentralized. Moreover, while local involvement may, if well managed, remain focussed on common interests in high productivity and competitiveness, centralization entails the risk of discussions extending to more adversarial subjects like investment. From a managerial perspective, not only do workers have no special expertise to contribute in these areas; involving workers in them is also likely to give rise to conflicts or delay urgent decisions, and thereby frustrate the very purposes of "involvement". Not least, centralized information requirements may force a company to keep managerial functions centralized even if economic needs would demand or permit devolution to local decision-makers.

As a further point, research indicates that managerial interest in multinational workforce involvement is far from unambiguous, and tends to differ between managerial categories and factions. Personnel managers may support European works councils to make industrial relations more cooperative, or to improve their own access to strategic information. Also, personnel directors at headquarters may want to use
European works councils to bypass managers of foreign subsidiaries and establish direct contact with plant representatives. Usually, managers whose jobs become easier if they can play national workforces and unions off against each other will prefer decentralized industrial relations. On the other hand, local managers, who often know little about their companies' international strategic planning and who may be permitted to attend European works council meetings[^42], often support European works councils. How a company decides may well be determined, not by "objective" economic efficiency considerations, but by the distribution of power within management[^43].

If neither European Community politics nor economic efficiency pressures can account for the spread of voluntary European works councils, a better explanation may be offered by a modified political model that relates works council formation to differences in national political conditions, especially in the power and access to political and legal resources of national unions and employers. Governed by what might be called a particularistic political logic of national diversity, European works councils, while on the surface "European", would be products of different national government policies, legal systems, industrial relations practices, union strategies, managerial power structures etc. An explanation of this kind could account for the strong association of the existence of multinational works councils with companies' home countries. Moreover, it would be consistent with the observation that European works councils differ widely by countries in their functions and structures. Not least, as differences in industrial relations systems affect the status and power of different sections of management[^44], they may also account for variations in managerial strategy.

[^42]: And indeed almost have to, lest local workforce representatives know more about company strategy that their direct interlocutors among management.

[^43]: This distinction, of course, is meaningless in economic-functionalist models of works council development, in which the distribution of power among management is itself expected to be determined by efficiency requirements.

[^44]: Large German firms, for example, are forced by law and industrial agreement to have an explicit, long-term personnel policy. Research as well as impressionistic evidence confirm that this reinforces the status of personnel managers. These, in turn, are used to working under a works council system, and may find it awkward to operate differently at the international level.
and choice.

A modified political model does not have to leave the supranational level entirely out of consideration. However, rather than explaining the appearance of voluntary European works councils as a preemptive response to European legislation, it would emphasize its simultaneity with the change in European social policy since the mid-1980s in a neo-voluntarist direction -- giving employers assurance that there will not be an activist European legislator that might exploit voluntary councils for legitimation of legislative intervention. Employers, that is, would have agreed to voluntary European works councils, not because these are necessarily economically -- or better: managerially -- efficient for improved human resource management, or because they provide effective protection against European-level social policy activism, but because they have become unlikely to precipitate statutory enactment. Given, not the strength but, to the contrary, the weakness of European politics, employers would feel confident enough to accommodate whatever other -- i.e., above all national -- political pressures there may be for having European works councils, the possible costs of accommodation being so small as to no longer justify the costs of resistance.

An important nationally specific influence on the growth of European works councils might be the relationship between unions and works councils in domestic industrial relations systems. Just as management, the interests of labor in internationalization of workplace industrial relations are ambiguous. While some unions may fear being displaced by councils, others, like the German ones, may see their main base of power undermined if councils fail to spread to the rest of Europe. Also, while national unions may feel threatened by central company management trying to bypass them and involve local workforce representatives in multinational company strategy, they may also perceive European works councils as a means for inserting themselves into company-wide industrial relations to combat exactly this kind of "plant egoism". At the same time, works councils at a company's headquarters may not necessarily feel that sharing their often privileged access to information with workforce representatives from foreign subsidiaries would be in their best interests. However, where they can reasonably expect to be the strongest party on the European works council, they may be willing to live with them, especially if "subsidiarity" rules enable them
to model the European council on their national tradition, giving them a further edge over workforce representatives from other countries45.

One crucial factor, it appears, is the extent to which the unions at a multinational company's headquarters can have confidence, based on their national experience, that they will be able to control council policies. Such confidence exists among German unions who have learned to use works councils as their extended arm at the workplace (Thelen 1992). Indeed in the German-based companies in the sample, it was largely because of union pressures that European works councils have come into existence. Significantly, in addition to exerting pressure on management, it was also necessary for both the metalworkers and the chemical workers unions to convince domestic works councils to cooperate46.

The spectacular growth of European works councils in large French-based multinationals would seem to require a different, although again nationally specific political explanation. While works councils do have legal rights in France, union confidence in them as a channel of representation is low, and union control over councils is precarious due to multi-unionism. In fact councils, at national as well as supranational level, are often used in France by management and moderate unions, like the CFDT, to isolate the largest union, the CGT, which has close links to the Communist party47. In the French case, then, more important than domestic union

45 There is obviously space here for a coalition under "subsidiarity" between management and unions in large firms in defense of established national industrial relations practices.

46 The de facto character of European works councils as international union committees may in part be explained by the strong role played in their creation by national unions, even in countries with strong works councils like Germany, and the desire of the unions to retain control. At the same time, to the extent that German works councils may fear being preempted by strong, i.e., real European works councils, the presently emerging voluntary structures under "subsidiarity" will be acceptable to them as well.

47 Among the European works councils in the sample, this applies in particular to those at BSN, Thomson and Pechiney. At the former two companies, the existence of two European works councils instead of just one has its origin in complicated maneuvers to minimize CGT influence. Generally, French companies tend to make arrangements for European works councils either with the CFDT or a European union
demands seems to have been the often-reported pressure from the Socialist govern-
ment on large companies that are either nationalized or otherwise have close relations
with the state, to set up voluntary European works councils. In part, such pressure
was exercised in pursuit of an international agenda of support for the Commission’s
project of a European Social Dimension. But the policy also had a domestic aspect
in that, since the results of the government’s industrial relations legislation of the early
1980s had been largely disappointing, the government seems to have hoped for a
revitalization of its effort to modernize French industrial relations through, as it were,
importation of works councils from “Europe” into leading French companies.

POLITICS VERSUS EFFICIENCY: TESTING ALTERNATIVE MODELS

For a quantitative assessment of the relative contribution of economic and national po-
litical factors to the voluntary establishment of European works councils, the
companies in the sample were coded on four independent variables:

(1) Strength of works councils in a company’s home country. Countries in
which works councils have strong legal rights are Germany, the Netherlands and
Sweden; countries with weak legal rights for councils are Belgium, France, Italy and
Luxembourg; and countries without legally mandated councils include Switzerland,
federation to which the CGT is not affiliated, either way excluding the CGT from
participation.

48 This is most obvious in the public declaration on the agreement at Elf-Aquitaine, which described the firm’s new European works council as the embodiment of the spirit of the proposed Community directive on workforce information and consultation.

49 Which had also in part been motivated by a desire to weaken the CGT.

50 Since the companies included in the analysis are the universe of the one hundred largest manufacturing companies in Europe, and not a random sample of a larger universe, generalization of the results would strictly speaking be affected by the problem of sample selection bias (for a discussion see Berk 1983). The pattern of European Works Councils that we are aware of in service sector firms or in smaller manufacturing companies does not, however, conflict with the main conclusions of this paper.
the United Kingdom and the United States. Two dummy variables were created, CD1 and CD2, which were coded 1 for, respectively, weak and strong works council rights in home countries. Under a political model of voluntary works council formation, the probability of a company having a European Works Council should co-vary with the strength of works council rights in the company’s home country. CD1 and CD2 should therefore have positive signs, and CD2 should have a larger coefficient than CD1. Under an efficiency model, by comparison, home country legislation would not be expected to make much of a difference. If European works councils were efficient management tools, managements would introduce them on their own, whatever the legislation in their companies’ countries of origin.

(2) French Socialist Party influence. Qualitative accounts and interviews with experts and participants offer strong indications that the French government urged state-owned multinational companies in the second half of the 1980s to establish European bodies of workforce representation, in anticipation and support of European Community legislation. Companies in the sample were coded according to their country of origin, with French companies receiving a score of 1 on a dummy variable, FRANCE. Under the modified political model of voluntary works council adoption, FRANCE would be expected to have a positive coefficient. An economic-functionalist theory, on the other hand, would expect the variable to be insignificant.

(3) Concentration of Production. Multinational companies vary widely with respect to the diversification of their product range. For the purposes of this study, companies are considered to have highly concentrated production if more than 75 percent of their employment is in their main product area, defined at the two-digit SIC level. This is the case with 52 of the 100 companies in the sample. Of the remaining 48, 38 have between 50 and 75 percent of employment in their main product area, and 10 are even more diversified. A variable, CONC, was created on which the 52 highly concentrated companies received a score of one, and the rest a score of 0.\(^{51}\)

An economic explanation of voluntary works councils would expect the probability for a company to have a European works council to increase with the

\(^{51}\) Division of the sample in three instead of two groups makes no difference for the statistical results.
concentration of its production, given that concentration is likely to increase the degree to which production is centrally coordinated. Concentration would also appear to increase a company's potential gains from international rationalization, placing a premium on effective mechanisms for information and consultation. A highly diversified company, by comparison, which in the limiting case simply buys up profitable plants without attempting to integrate them into a synergetic production structure, would derive fewer gains from rationalization at European level, and may not wish to have worker representatives at multinational level inquire into its buying and selling strategies. Under an economic efficiency explanation, in other words, CONC should have a positive sign. Since a firm's degree of productive concentration is not likely to be affected by its home country's industrial relations system, the modified political model would predict that it has no influence, and that CONC will not be significant.

(4) Internationalization of employment. All companies in the sample are multinationals. But some have only marginal international activities while others are highly internationalized and, although formally headquartered in a home country, are significantly exposed to several countries' laws and practices in setting their industrial relations policies. To determine the impact of internationalization on voluntary works council formation, companies were grouped in three categories: those with more than two thirds of their employment in their home country (low internationalization); those with between one third and two thirds of their workforces in their country of origin (medium internationalization); and those with less than one third of employment there (high internationalization). The dummies INT1 and INT2 were coded 1 for, respectively, medium and high internationalization.

An economic efficiency model would suggest functional needs for supranational workforce information, consultation and representation to increase with a firm's internationalization. While companies with limited foreign operations will tend to impose home country practices on their foreign subsidiaries, companies with a high number of such subsidiaries will have difficulties doing so and will tend to allow them to follow local practices. As a firm's internationalization increases even further, it may need to develop a common "identity" and set of practices that are not reducible
to those of any one of the countries in which it operates. A European works council could play an important role in facilitating a supra-national, company-specific personnel policy. To the extent that the establishment of European works councils is driven by functional-economic imperatives, therefore, INT1 and INT2 would be expected to have positive and high coefficients, with the coefficient for INT2 being larger than for INT1.

A nationally driven political model, on the other hand, would make the contribution of internationalization to voluntary European works councils dependent on favorable institutional conditions in a company's home country. (The same conditional effect might indeed be expected for productive concentration52.) In a more speculative mode, it might be suggested that, as the number of countries involved increases with internationalization, the "reach" of home country political and institutional resources declines, and unions face growing collective action problems reducing their ability to coordinate their interests among themselves. Moreover, the more internationalized a company, the less certainty there is for unions in its home country that they will be the dominant forces on a possible European works council; as a result they may be less willing to spend political capital on bargaining for one. The modified political model, then, might predict the coefficient for the latter to be smaller than for the former.

Internationalization and concentration may be correlated with company size. A control variable, LSIZE, defined as the natural logarithm of the size of a company's total workforce in thousands, was therefore included in the analysis. LSIZE is not an essential variable for either of the two models, although both would probably expect large size to increase the probability of having a European works council.

The independent variables and their signs and relationships expected under the modified political and the economic model of voluntary works council formation are summarized in Table 8. Table 9 presents the zero-order correlation coefficients. Since

52 Ideally this possibility would have to be tested using interaction terms. However, in the present sample the correlation between some of the original variables and the interaction terms formed with them is too high to allow results to be significant.
the dependent variable -- absence or presence of a European works council -- is categorical in character, logistic regression is ideally suited to measure the impact of the independent variables.

The first model tested (Model 1 in Table 10) includes all independent variables. A striking result is that the coefficient for concentration is not significant. The internationalization variables are significant at the .05 and .01 level, respectively, and are both positive. The fact that the coefficient for INT2 is slightly larger than that for INT1 would seem to lend some support to the economic as opposed to the modified political model.

Of further note is the large positive coefficient, significant at the .01 level, of the strong co-determination variable CD2, in line with the expectations of the political model. Neither the weak co-determination variable CD1 nor the French multinational variable FRANCE are significant; however, these two variables have very large estimated coefficients with opposite signs, due to the high correlation between them53.

Comparison of the Chi-squared statistics of Models 1 and 2 shows that the concentration variable CONC may be dropped without loss of explanatory power54. The significance, order of magnitude and signs of the other coefficients remain the same as in Model 1.

Testing the assumption that French socialist government influence rather than the presence of weak co-determination rights is behind the growth of European works councils in French multinationals, Model 3 drops CD1 from the analysis. Comparison of the Chi-squared statistic of Model 3 with Model 2 shows that this may be done without significant loss of explanatory power. As a result both CD2 and FRANCE have significant and positive signs, as predicted by the political model; the coefficients

53 Which reflects the large number of French-based companies (16) in this category, compared to companies based in Luxembourg, Belgium and Italy (5), the other countries with weak works council rights.

54 The difference of 0.722 is below 2.706, the threshold for acceptance at the 0.10 level of significance for 1 degree of freedom.
of the internationalization variables INT1 and INT2 remain significant and positive.55

Overall, the results offer evidence for the superiority of the political over the economic model. Concentration of company production, a key variable for any economic model, was found not to contribute to the rise of European works councils. In contrast, strong national works council rights and French socialist government influence turned out to be centrally important. While it is true that internationalization does make a contribution to voluntary works council formation, and apparently in a linear fashion as predicted under an economic efficiency model, this effect may in reality be conditional on home country institutions, and may thus be fully compatible with the modified political model. In any case, the weak performance of the productive concentration variable prohibits accepting the economic over the political model.56

55 Testing the three models with a reduced sample containing only the 45 companies that returned usable answers to the mail survey yields substantially the same results. A possible alternative to Model 3, which involves dropping FRANCE instead of CD1, would technically also be acceptable relative to Model 2; however, its relative fit was not as good as that of Model 3. This is in line with the qualitative evidence that it is state pressure, and not weak domestic works council rights, that drives the developments in French companies.

56 Especially since the impact of national works council legislation would be even stronger were it not for the "Dutch anomaly", i.e. the absence of European works councils at all four major Dutch manufacturing companies despite the existence of strong national works council legislation. In part, this may be explained by the strong British element at Unilever and Royal Dutch Shell. There also is the special case of Philips, which was one of the pioneers in the establishment of voluntary information mechanisms involving workforce representatives from foreign subsidiaries. Between 1967 and 1972, Philips held four formal meetings on European topics with representatives of European unions. However, a planned fifth meeting was canceled by the company because the unions, under the leadership of the EMF, intended to push for a multinational collective agreement on reduction of working hours without loss of pay and harmonization of redundancy rules in restructuring. Philips was also reportedly concerned about the EMF's insistence to invite a representative of the IMF to the meeting, which may have indicated an intention on the union side to extend European agreements to other continents (Interview; Northrup and Rowan 1979, 145-50). Today Philips is one of the most vocal opponents of the draft European works council directive.
CONCLUSIONS

The voluntary adoption of "European works councils" by large multinational firms is unlikely to signal or precipitate statutory enactment of workforce information, consultation and co-determination rights in European Community law. Nor will the presently emerging councils contribute to the development of an integrated European industrial relations system, with interrelated and coordinated arenas of joint regulation at supranational, sectoral and enterprise level. Moreover, their presence is not easily explained by economic efficiency needs, and indeed there is reason to doubt that truly representative bodies would under any circumstances result from these.

Empirical analysis suggests that the political weakness and organizational diversity of present European works councils are not ephemeral and transitory, but constitutive and permanent. While council weakness reflects the absence of political resources at European Community level capable of overriding differences in economic and organizational power, diversity results from the differential impact of national political and industrial relations institutions, and the power resources vested in them, on managerial choices at company headquarters. European works councils, as they have emerged in the early 1990s, are not works councils in a technical sense, but de facto international union committees for large companies, set up by managements and unions as a minimal, low-cost response to the internationalization of business activities. Nor, for that matter, are they "European", given that they are fundamentally an outgrowth of national industrial relations systems into the international arena, shaped by a logic of domestic politics rather than supranational interest formation. Their rise, therefore, must cast doubt on functionalist assumptions in integration theory of integrated institution-building inexorably following common market-making. Far from providing or preparing supranational governance of employment relations, European works councils seem to do no more than create interfaces within large companies between national industrial relations systems, which as such remain separate, fragmented, and exposed to the potentially destabilizing dynamics of regime competition in a border-crossing integrated market.

From a union perspective, voluntary European works councils are a second-
best solution at most. In the 1970s, unions consistently and emphatically argued that voluntary arrangements for workforce participation in multinational companies were not enough, and that binding normative regulation, through either collective bargaining or supranational legislation, was indispensable. Among the reasons for their turnaround was certainly the experience with and after Vredeling, which suggested that the legislative road to an integrated European social policy was effectively closed by an apparently invincible non-decision, negative-integration coalition between European employers and the British government (Streeck 1992). Also important seems to have been a desire of European-level union officials to define a promising project for themselves that they could show to their national constituents. Furthermore, one payoff that even voluntary European works councils are certain to deliver is subsidized transnational communication between union officials in multinational companies; for most unions, the costs of travel and translation for European company meetings are prohibitively high.

As an emerging mode of international economic institution-building, neo-voluntarism amounts to a break with the practice of the European national welfare state to create "hard", legally enforceable status rights and obligations for individual citizens and organized collectivities acting in, taking advantage of, and being disadvantaged by market relations. Insofar as the Community’s Social Action Program in the 1970s and early 1980s was intended to replicate that practice at the supranational level, current trends towards neo-voluntarism signify the end of those politics. Compared to traditional social policy interventionism, a neo-voluntarist supranational regime would be much less statist, in line with as well as perpetuating the European Community’s underdeveloped state capacities. On this account, it may be euphemistically presented as the result of a fortuitous shift of social policy-making from the state to "civil society". However, unlike neo-corporatism where strong quasi-public organizations of social groups are enabled by public policy to control and correct market outcomes (Schmitter and Lehbruch 1979), neo-voluntarism returns allocative decisions to private actors in private markets -- refraining from attempts to change their initial economic and organizational endowments so as to make market outcomes more equitable.
As the prospect of normative European legislation on worker participation -- legislation that is not emasculated by politically expedient interpretations of "subsidiarity" -- fades away, voluntary European works councils may increasingly be recognized as part of an emerging institutional reality that is beginning to fill the space that the Social Action Programme was trying to claim two decades ago. While at present European works councils are primarily seen as either preventing or supporting the passage into law of the various Community directives on worker participation, in reality they may already have begun to shape European industrial relations on a pattern qualitatively different from standard postwar arrangements -- more firm-specific, decentralized and "flexible"; fragmented, enterprise-centered and devoid of sectoral or macro-economic coordination and generalization; widely divergent between large and small firms; systematically exposed to international regime competition; and with a vastly reduced role for public power. In this sense, neo-voluntarism may well represent the European variant of the general trend in advanced capitalism today towards a release of "the economy" and its "market forces" from political discipline, and towards a privatization of the social order that increasingly subjects it to the demands and dictates of a "self-regulating market".

"Soft", voluntarist regulation at the European Community level is acceptable to business, as long as it remains an alternative to, instead of being an intermediary step towards, a replication of "statist" Social Democracy. Potentially even contributing to a revision of "rigid" national regimes (Streeck 1991), supranational voluntarism would ultimately leave large firms operating in the Internal Market the freedom to do what they want, while sparing them the hazards of an anomic absence of all supranational institutions. Not least attractive, of course, would seem to be the fact that economic institutions that are not backed by strong state capacities cannot by definition "distort markets" -- i.e., offer groups with limited market power recourse to legitimate force, thereby changing the power balance between them and better endowed rivals. Under voluntarism, when everything is said and done, it is those in stronger market or hierarchical positions who decide how much symmetry and equity between themselves and others is symmetrical and equitable, and how much participa-
tion is reasonable and efficient. Competing claims that fail to pass this test are conveniently eliminated.

57 While not collected systematically, available information on developments in 1992 supports the conclusions offered in this paper. European works councils are reportedly being established at Volvo and at Thyssen AG, i.e., a Swedish and a German-based company. Information on companies outside the sample is also consistent with the analysis, in that European works councils exist or are being set up in German-based (Allianz, Tengelmann, Schmalbach-Lubecka, Grundig) or French-based firms (AGF). Functionally, all these councils are limited to the exchange of information. For a picture book case study of national political resources accounting for supranational workforce participation arrangements in multinational firms, see Europipe (European Industrial Relations Review 213, October 1981, pp. 12ff.)
**TABLE 1**

**Basis for Operation of European Works Council**

<table>
<thead>
<tr>
<th>EWCs</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal Agreement</td>
<td></td>
</tr>
<tr>
<td>Letter(s)</td>
<td>3</td>
</tr>
<tr>
<td>Verbal/informal agreement</td>
<td>4</td>
</tr>
<tr>
<td>Management initiative</td>
<td>2</td>
</tr>
<tr>
<td>Board statement</td>
<td>1</td>
</tr>
<tr>
<td>Unknown</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20</td>
</tr>
</tbody>
</table>

**TABLE 2**

**Composition of European Works Council Delegations**

<table>
<thead>
<tr>
<th>EWCs</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union officials</td>
<td></td>
</tr>
<tr>
<td>Employee representatives</td>
<td>11</td>
</tr>
<tr>
<td>Union officials and Employee Representatives</td>
<td>5</td>
</tr>
<tr>
<td>Management invitation</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20</td>
</tr>
</tbody>
</table>
TABLE 3
Number of Workforce Delegates on European Works Councils

<table>
<thead>
<tr>
<th>Delegates</th>
<th>EWCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10</td>
<td>1</td>
</tr>
<tr>
<td>11-20</td>
<td>6</td>
</tr>
<tr>
<td>21-30</td>
<td>3</td>
</tr>
<tr>
<td>31-40</td>
<td>1</td>
</tr>
<tr>
<td>41-50</td>
<td>1</td>
</tr>
<tr>
<td>51-80</td>
<td>3</td>
</tr>
<tr>
<td>unknown</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
</tr>
</tbody>
</table>

TABLE 4
Agenda Items at European Works Council Meetings

<table>
<thead>
<tr>
<th>Item</th>
<th>Times Mentioned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company's economic/financial position</td>
<td>7</td>
</tr>
<tr>
<td>Rationalization plans</td>
<td>7</td>
</tr>
<tr>
<td>Changes in company organization</td>
<td>7</td>
</tr>
<tr>
<td>Production and sales</td>
<td>6</td>
</tr>
<tr>
<td>Acquisitions and mergers</td>
<td>6</td>
</tr>
<tr>
<td>Investment programs</td>
<td>5</td>
</tr>
<tr>
<td>Location of new plant</td>
<td>5</td>
</tr>
<tr>
<td>Training and retraining</td>
<td>5</td>
</tr>
<tr>
<td>Health and safety</td>
<td>5</td>
</tr>
<tr>
<td>Marketing strategies</td>
<td>4</td>
</tr>
<tr>
<td>Plant cutbacks or closures</td>
<td>4</td>
</tr>
<tr>
<td>Employee mobility between countries</td>
<td>3</td>
</tr>
<tr>
<td>Manufacturing and work methods</td>
<td>3</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>3</td>
</tr>
<tr>
<td>Allocation of work between plants</td>
<td>2</td>
</tr>
<tr>
<td>Working time</td>
<td>2</td>
</tr>
<tr>
<td>Vacations</td>
<td>2</td>
</tr>
<tr>
<td>Language training</td>
<td>1</td>
</tr>
<tr>
<td>Wages</td>
<td>1</td>
</tr>
<tr>
<td>Country</td>
<td>MNCs with EWCs</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------</td>
</tr>
<tr>
<td>France</td>
<td>7</td>
</tr>
<tr>
<td>Germany</td>
<td>6</td>
</tr>
<tr>
<td>Sweden</td>
<td>4</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1</td>
</tr>
<tr>
<td>UK</td>
<td>0</td>
</tr>
<tr>
<td>US</td>
<td>0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0</td>
</tr>
<tr>
<td>Italy</td>
<td>0</td>
</tr>
<tr>
<td>Belgium</td>
<td>0</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18</strong></td>
</tr>
</tbody>
</table>
TABLE 6

Multinational Companies and EWCs by Industry

<table>
<thead>
<tr>
<th>Primary Industrial Branch</th>
<th>MNCs</th>
<th>MNCs with EWC</th>
<th>MNCs with EWCs, in percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rubber Products</td>
<td>3</td>
<td>1</td>
<td>33</td>
</tr>
<tr>
<td>Electronics</td>
<td>7</td>
<td>2</td>
<td>29</td>
</tr>
<tr>
<td>Computers</td>
<td>4</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Chemicals</td>
<td>17</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>Metals &amp; Metal Products</td>
<td>15</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Industrial &amp; Farm Equipment</td>
<td>5</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>Petroleum Refining</td>
<td>5</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>Building Materials</td>
<td>5</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>Motor Vehicles &amp; Parts</td>
<td>11</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>Food, Drink &amp; Tobacco</td>
<td>14</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Forest Products</td>
<td>1</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Publishing &amp; Printing</td>
<td>2</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Scientific &amp; Photographic Eq</td>
<td>1</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Aerospace</td>
<td>3</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>5</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Soaps, Cosmetics</td>
<td>2</td>
<td>0</td>
<td>-</td>
</tr>
</tbody>
</table>

100  18  18
<table>
<thead>
<tr>
<th>Year</th>
<th>EWCs meeting for the first time</th>
<th>Number of MNCs starting their first EWC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>1987</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1988</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1989</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1990</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>1991</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>1992 (planned)</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

17  15

Missing cases: 3
TABLE 8

Independent Variables and Expected Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Political Explanation</th>
<th>Economic Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD1</td>
<td>Weak works council rights in home country</td>
<td>CD1, CD2 &gt; 0; CD2 &gt; CD1 not significant</td>
</tr>
<tr>
<td>CD2</td>
<td>Strong works council rights in home country</td>
<td></td>
</tr>
<tr>
<td>FRANCE</td>
<td>Company based in France</td>
<td>FRANCE &gt; 0 not significant</td>
</tr>
<tr>
<td>CONC</td>
<td>More than 75% of employment in main product area</td>
<td>CONC1 CONC2 &gt; 0 CONC2 &gt; CONC1</td>
</tr>
<tr>
<td>INT1</td>
<td>33-66% of employment in home country</td>
<td>INT1, INT2 &gt; 0; INT1 &gt; INT2</td>
</tr>
<tr>
<td>INT2</td>
<td>Less than 33% of employment in home country</td>
<td>INT2 &gt; INT1</td>
</tr>
</tbody>
</table>
### TABLE 9
Zero-Order Correlation Coefficients

<table>
<thead>
<tr>
<th></th>
<th>LSIZE</th>
<th>CD1</th>
<th>CD2</th>
<th>FRANCE</th>
<th>INT1</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSIZE</td>
<td>1.000000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CD1</td>
<td>0.004558</td>
<td>1.000000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CD2</td>
<td>0.110070</td>
<td>-0.342997</td>
<td>1.000000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FRANCE</td>
<td>0.018418</td>
<td>0.804679</td>
<td>-0.299393</td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>INT1</td>
<td>-0.037549</td>
<td>0.080064</td>
<td>-0.199098</td>
<td>0.091725</td>
<td>1.000000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>LSIZE</th>
<th>CD1</th>
<th>CD2</th>
<th>FRANCE</th>
<th>INT1</th>
</tr>
</thead>
<tbody>
<tr>
<td>INT2</td>
<td>0.123705</td>
<td>-0.062500</td>
<td>-0.021437</td>
<td>-0.081832</td>
<td>-0.520417</td>
</tr>
<tr>
<td>CONC</td>
<td>-0.133285</td>
<td>0.030024</td>
<td>-0.199096</td>
<td>0.146323</td>
<td>0.038461</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>INT2</th>
<th>CONC</th>
</tr>
</thead>
<tbody>
<tr>
<td>INT2</td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>CONC</td>
<td>-0.120096</td>
<td>1.000000</td>
</tr>
</tbody>
</table>
### TABLE 10

**Logistic Regression Coefficients for Presence of European Works Council on Selected Independent Variables**

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD1</td>
<td>-14.519</td>
<td>-14.731</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td>(0.008)</td>
<td></td>
</tr>
<tr>
<td>CD2</td>
<td>3.812</td>
<td>3.652</td>
<td>3.765</td>
</tr>
<tr>
<td></td>
<td>(3.249)***</td>
<td>(3.205)***</td>
<td>(3.294)***</td>
</tr>
<tr>
<td>FRANCE</td>
<td>18.600</td>
<td>18.7948</td>
<td>4.317</td>
</tr>
<tr>
<td></td>
<td>(0.010)</td>
<td>(0.010)</td>
<td>(3.543)***</td>
</tr>
<tr>
<td>INT1</td>
<td>2.786</td>
<td>2.697</td>
<td>2.695</td>
</tr>
<tr>
<td></td>
<td>(2.441)**</td>
<td>(2.381)**</td>
<td>(2.380)**</td>
</tr>
<tr>
<td>INT2</td>
<td>3.348</td>
<td>3.341</td>
<td>3.531</td>
</tr>
<tr>
<td></td>
<td>(2.567)***</td>
<td>(2.592)***</td>
<td>(2.781)***</td>
</tr>
<tr>
<td>CONC</td>
<td>0.632</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.868)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LSIZE</td>
<td>0.741</td>
<td>0.705</td>
<td>0.700</td>
</tr>
<tr>
<td></td>
<td>(1.694)*</td>
<td>(1.621)</td>
<td>(1.600)</td>
</tr>
<tr>
<td>Constant</td>
<td>-10.323</td>
<td>-9.700</td>
<td>-9.844</td>
</tr>
<tr>
<td></td>
<td>(3.719)***</td>
<td>(3.716)***</td>
<td>(3.772)***</td>
</tr>
<tr>
<td>Deg. of freedom</td>
<td>7</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Chi-squared</td>
<td>41.519</td>
<td>40.747</td>
<td>39.771</td>
</tr>
<tr>
<td>No. of cases</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

* * significant at .10 level
** ** significant at .05 level
*** *** significant at .01 level

T-ratios in parentheses
APPENDIX I

Sample and Sources of Information

The sample for this study consists of 100 of the largest European multinational corporations in manufacturing. The goal was to cover the 100 manufacturing firms with the largest number of employees in Europe, including companies based outside of the European Community and Europe. However, since standard lists, as provided by the Financial Times or Fortune, do not break down employment by country or region, they offer only approximations. A list of the largest 25 European manufacturing employers, compiled by Labour Research, was supplemented by a selection of European-based corporations included in the 1989 Fortune 500 international list. In this list, rank is based on annual sales, and manufacturing companies are defined as companies deriving at least 50 percent of their sales from manufacturing or mining. Companies based in mining, as well as companies known to be limited to only one country (such as the large state holdings in Italy and Spain) were excluded from the sample.

From the various national and international business directories, which vary widely in the quantity and quality of the information they provide, a list was compiled of the names and addresses of the directors of the companies' international industrial relations, employee relations or human relations departments. When this information could not be found, the names and addresses of the chief executive officers were used. Where these were not available either, the generic identification, "Personnel Director", at the company's European headquarters was used. A four-page questionnaire was mailed to the 100 addresses, with a request that it be returned within six weeks. A follow-up letter was sent to those that had not responded within that period. 45 valid responses were received; an additional 17 companies sent replies declining to participate.

The questionnaire itself, in addition to asking for information on the person who filled it out, requested basic data about any existing arrangement for information, consultation or negotiation with employee representatives on a multinational basis. If such an arrangement existed, respondents were asked which countries were covered; how many workforce representatives there were and how they were selected; which unions (if any) were involved; how often meetings were held; what subjects were discussed at the meetings; whether meetings were just informational or also involved consultation or negotiation; whether any written agreements had been reached; how many of the company's employees in the European Community were covered; and whether separate provisions had been made for different categories of workers (e.g. white and blue-collar workers). Companies that did not currently have a works council-like arrangement were asked an open-ended question whether establishing one was being contemplated or planned for the future, and whether one had been tried in the past and discontinued.
Other sources of information were used to supplement the survey responses. These included publications like the European Industrial Relations Review, Industrial Relations Europe and the Financial Times, as well as publications from the European Trade Union Institute and two recent studies of multinational information and consultation arrangements in European multinationals (Gold and Hall 1992; Myrvang 1991). In addition, interviews were conducted with union and business representatives and European Community officials.
APPENDIX II

Companies Included in the Sample

Aerospatiale  
Akzo  
Alcatel Alsthom  
Allied-Lyons  
Alusuisse  
Arbed  
ABB Asea Brown Boveri  
Associated British Foods  
BASF  
BAT Industries  
Bayer  
Bayerische Motoren Werke  
Bertelsmann  
BICC  
BOC Group  
Bosch, Robert  
British Steel Corp.  
British Petroleum Co.  
British Aerospace  
BSN  
BTR  
Bull Group  
Cadbury Schweppes  
Caterpillar Overseas  
Ciba-Geigy  
Cockerill Sambre  
Continental  
Courtaulds  
Daimler-Benz  
Dalgety  
Dow International  
Electrolux  
Elf Aquitaine  
Exxon  
Feldmühle Nobel  
Fiat  
Ford of Europe, Inc.  
General Motors  
General Electric Co.  
GKN  
Glaxo Holdings  

Grand Metropolitan  
Guinness  
Hanson  
Henkel  
Hoechst  
Hoesch  
Hoogovens Groep  
Huels  
IBM Europe  
ICI  
Krupp, F. GmbH  
l’Air Liquide  
l’Oreal  
Lafarge Coppee  
MAN  
Mannesmann  
Metallgesellschaft  
Michelin & Cie  
MMM (3M Europe)  
Monsanto Europe  
Nestle  
Nobel Industries  
Pechiney  
Peugeot  
Pfizer  
Philips  
Pilkington  
Pirelli  
Proctor & Gamble  
Rank Xerox Ltd.  
Reed International  
Renault, Regie Nationale des Usines  
Rhone-Poulenc  
RMC Group  
Roche Group (Hoffman-La Roche)  
Rolls-Royce  
Royal Dutch/Shell Group  
Saint-Gobian  
Salzgitter  

Sandoz  
Siemens  
SKF  
SmithKline Beecham Consumer Brands  
Solvay & Cie  
STC  
Sulzer  
Tate & Lyle  
Thomson Electronics  
Thorn EMI  
Thyssen  
Trelleborg  
Unigate  
Unilever  
United Biscuits  
Usinor Sacilor  
Veba Oel  
VIAG  
Volkswagen  
Volvo
REFERENCES

Addison, J. T., and W. S. Siebert 1991

Berk, R. 1983

Campbell, D. 1989

Coldrick, P. 1990

DeVos, T. 1989
Multinational Corporations in Democratic Host Countries: U.S. Multinationals and the Vredeling Proposal, Dartmouth: Aldershot

Dunlop, J. 1958
Industrial Relations Systems, Carbondale and Edwardsville: Southern Illinois University Press.

European Trade Union Institute 1991

Gester, H. and M. Bobke 1992
"Europäischer Binnenmarkt und betriebliche Mitbestimmung der Arbeitnehmer". Unpublished manuscript.

Gold, M. and M. Hall 1992
Information and Consultation in European Multinational Companies: An Evaluation of Practice. Luxembourg: Office for Official Publications of the European Communities/European Foundation for the Improvement of Living and Working Conditions

Grahl, J., and P. Teague 1991
"European Level Collective Bargaining: A New Phase?" Relations Industrielle, Vol. 46, No. 1, 46-73
Hall, M. 1992
Legislating for Employee Participation: A Case Study of the European Works Councils Directive. *Warwick Papers in Industrial Relations*, No. 39, Industrial Relations Research Unit, School of Industrial and Business Studies, University of Warwick

Hepple, B. 1990

Kay, N. 1991

Lamparter, D. 1991

Levinson, C. 1972

MacShane, D. 1992
"Trade Unions in Europe After Maastrict". Unpublished manuscript.

Marginson, P. 1991

Marginson, P. 1992
European Integration and Transnational Management-Union Relations in the Enterprise. Industrial Relations Research Unit, University of Warwick, unpublished manuscript

Myrvang, G. 1991
"Information and Consultation Rights in the Nordic Countries: Experiences and Perspectives." Report for the Nordic Foundation for Industrial Development.

Northrup, H. and R. Rowan 1979
Northrup, H., D. Campbell and B. Slowinski 1988

Ramsay, H. 1990

Schmitter, Ph. C., and G. Lehmbruch, eds., 1979
Trends Towards Corporatist Intermediation, Beverly Hills and London: Sage

Shonfield, A. 1965

Simonson, B. 1991

Sisson, K., J. Waddington, C. Whitston 1992
The Structure of Capital in the European Community: The Size of Companies and the Implications for Industrial Relations. Warwick Papers in Industrial Relations, No. 38, Industrial Relations Research Unit, School of Industrial and Business Studies, University of Warwick

Streeck, W. 1984

Streeck, W. 1991
"More Uncertainties: West German Unions Facing 1992". Industrial Relations 30 (Fall 1991), 317-49

Streeck, W. 1992

63
Teague, P., and J. Grahl 1991
"The European Community Social Charter and Labour Market Regulation",
in: Journal of Public Policy 11, No. 2, April-June, pp. 207-32

Thelen, K. A. 1992

Tyszkiewicz, Z. 1992
"UNICE: The Voice of European Business and Industry in Brussels: A Programmatic Self-Presentation",

Williamson, O. E. 1979
"Transaction Cost Economics: The Governance of Contractual Relations",