

## **The Operation and Functioning of European Works Councils: The Case of Assa Abloy**

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### **Company profile**

#### **The ASSA ABLOY Group**

Assa Abloy is a producer of locks, lock systems and handles for doors and windows. The company was formed in 1994 through a merger of the Swedish company ASSA (originally August Stenman AB) and the Finnish company Abloy Oy. Assa was founded in Eskilstuna in Sweden in 1881 and the company still has major works in Eskilstuna.

Assa Abloy AB is a public company noted on the Stockholm Stock exchange since 1994. The largest shareholder is the Finnish engineering group Wärtsilä. The board is dominated by the Finnish family Ehrnrooth and the Swedish industrialists Douglas and Schörling who are also major shareholders.

The net sales in 2002 was 25 400 MSEK ( 2 800 M EUR) and the number of employees 28 750.

The lock industry is traditionally dominated by small companies operating on a national market. Locks are primarily sold through the building material industry (door and window producers) and through locksmith shops. Each country has its own standard and traditions and it is therefore a hard market to break in to for an outsider. The industry has for many years been characterised by low margins and tough competition. Customers keep locks for a long time (20 - 30 years), and when they change locks they often stay with the same brand for practical reasons. The lock market is made up of a number of sub markets that have different characteristics such as private homes, offices and public buildings, hotels etc.

Growing security problems around the world have meant new challenges for the lock industry. This is particularly true for public buildings, industries, hotels etc. but has also affected the lock market for private homes. There is a constant need for new and improved lock systems which requires that the lock producers develop their products.

Assa Abloy has developed an elaborate strategy for international expansion. The idea is to buy leading brand companies in different countries, keep the brand names and gradually rationalise the supply system and product development. Assa Abloy is a good example of a company that has developed a strategy for making profit in a mature and long established market.

From its base in Sweden and Finland, Assa Abloy has expanded first to the other Nordic countries and later to other parts of Europe, the US, South America and Africa. At the formation in 1994 the group was made up of 15 companies. Now it has grown to some 100 production companies and 50 sales companies. The expansion has mainly been through acquisitions and it has been particularly rapid during the past few years. The turnover doubled from 1997 to 2000 and again from 2000 to 2001. Nine companies were acquired in 2001. The company has managed to increase the profit during this rapid expansion. During 2002 the sales increased with 13 percent, of which organic growth was 2 percent.

Sales and profit in MSEK:

	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>Net sales</b>	25.397	22.510	14.397
<b>Profit before tax</b>	2.015	1.642	1.402
<b>Profit margin (EBT)</b>	7,9	7,3	9,7

Assa Abloy is the largest lock company in the world but yet has only 10 percent of the world market. The company plans to continue its expansion built on its three step strategy:

Build a global platform through acquisitions and development of companies with strong brand names, strong product base and strong cash flow.

Develop synergy advantages through joint development projects and advanced technology.

Increase the organic expansion through sales of high value added products and more advanced technology.

### **Organisation**

The company has a small corporate head quarter in Stockholm with 37 employees. On the national level the organisation differs from country to country. In some countries there are one national head in others there are different divisions/companies organised according to different customer segments. As the company has grown through acquisitions, many companies are integrated step by step as part of the ongoing operation.

The sales organization is made up of 11 sales units each with a Director at the Group Management : Scandinavia, Finland, Central Europe, South Europe, UK, North America, South Pacific, New Markets, Hospitality, Identification, Door Automatics.

The management team for each region meets once a month. The organisation is decentralised. Corporate management is mainly focused on the development of the company. The operative decisions are taken nationally.

The number of employees by nation by the end of 2002 was:

Sweden	1 100
Finland	1 100
Norway	700
Denmark	300
Germany	1 200

UK	1 800
Belgium	150
France	2 400
The Netherlands	300
Czech Republic	800
Canada	300
Australia	1 000
New Zealand	500
USA	6 500
China	2 200
Romania	700
Israel	350
Italy	600
Africa	650
Mexico	3 600
Spain	900
South America	500
Other countries	700
<b>Total</b>	<b>28 700</b>

### **Methodology**

The report is based on interviews and documents from the company such as the 2001 and 2002 Annual Reports, The Assa Abloy EWC agreement and minutes from the EWC meetings.

Interviews have been conducted with:

#### **Parent company:**

Union insiders: EWC chair, chair of Sif at Assa Abloy, Eskilstuna  
Chair of Metal Workers Union in Assa Abloy in Eskilstuna,

Union outsider: Shop Steward, Sif, Eskilstuna

Management: Chief Financial Officer, Group Management

#### **Daughter company, Germany**

Union insider Chair of the works council at IKON GmbH

Management outsider: President of IKON GmbH

### **The EWC**

The EWC agreement was signed in September 1996 in accordance with article 13 in the EU Directive and the Swedish EWC law (1996:359). The EWC is an employee only forum. Management is not formally a member of the EWC but has the role to provide information and to fund the EWC.

The EWC at Assa Abloy was a joint union initiative from the unions in Sweden and Finland. Both countries had a strong tradition of co-operative industrial relations and

when the directive was introduced they saw it as attractive to have a EWC for the company. There was no immediate need or problem behind the interest but rather a general interest in union contacts within the company for future needs. The EWC agreement was negotiated and signed from the employee side by a negotiation body of union representatives from Sweden, Norway, Denmark, Finland and Germany.

The EWC is a forum for information and consultation and "shall only deal with issues of a transitional nature that have a considerable impact on the interest of the employees". The agreement stipulates that the EWC is primarily a forum for information and consultation between representatives of the employees: "The objective of this Agreement of the ASSA ABLOY Works Council is the establishment of procedures for information and consultation with representatives of the employees, in the different countries in Europe where the ASSA ABLOY-group carries on business, on cross border issues with a considerable impact on the interest of the employees, in line with visions, values and specific nature of ASSA ABLOY" (EWC agreement article 1.2).

Article 2 stipulates the role of management in the EWC as providing information on a number of issues relating to company business, economic performance and development and issues relating to employment. These rules do not include any commitment to consult with the EWC before taking decisions.

The first agreement was a five year agreement. In June 2001 the agreement was reviewed and two clauses were changed. The rules regulating the EWC:s right to invite outside experts to take part in the EWC meeting was changed. Management still has to be consulted, but do not have to agree to such arrangements. This change was not initiated by any practical problem but was a union initiative to adjust the agreement in line with recommendation from central union office. So far no experts have been invited. The other change related to the rules for the allocation of seats in the EWC. Countries with more than 1500 employees where allowed three delegates.

The EWC agreement applies to all employees in the Assa Abloy Group in Europe in all businesses, subsidiaries and branches where Assa Abloy has a controlling influence.

Delegates in the EWC are elected for a period of three years according to national procedures and practices. For each member there is a deputy who only takes part in case the ordinary member is absent.

The number of delegates is determined on the basis of the following formulas:

0 - 49 employees	0
50 - 499 "	1
500 - 1499	2
over 1500	3

The current number of delegates is as follows:

Denmark	1
Czeck Republic	2
France	3
Sweden	2
UK	3
Finland	2

Germany	2
Norway	2
<b>Total</b>	<b>17</b>

Some delegates have been in the EWC since the start, but there is usually one or two new members each meeting. In the current EWC there are four female delegates, making the female representation 24 percent compared to 41 percent females in the Assa Abloy work force.

The EWC agreement stipulates that the meetings of the EWC are held in the corporate language which is English. Interpretation is offered to those who request it. According to the agreement “It is the intention of the parties that members of the Works Council shall master English to such an extent that simultaneous interpretation is not necessary”. The development to single language meetings has been slow, and so far interpretation has been needed in up to five languages.

The EWC meets twice per year. At one of the meetings representatives from the Group Management participates and gives information and answers questions. The meetings normally last two days. Day one is the internal union discussion. Day two includes meeting with corporate management, a EWC delegates summing up meeting and usually a factory tour at the Assa Abloy Company hosting the meeting.

Meetings are rotated between the countries where Assa Abloy has operations. The agenda is standardized and has the following format:

Welcome address by the manager of the host company/country and presentation of the local Assa Abloy operation

EWC Chairman’s address

Country reports by delegates

Information by representative from corporate head quarter

Company tour

The members of the EWC are encouraged to suggest items for the agenda, but so far very few suggestions have been handed in.

The EWC has a Working Committee made up of four members. During the first years of the EWC the Working Committee met during the course of the EWC meetings. That was found to be less practical and for the past few years the Working Committee has mainly had contact via mail and phone. The only role of the Working Committee is to organise the EWC meetings.

The EWC has no separate secretariat. The Chairperson of the EWC does most of the administration of the meetings, and one of the delegates from Norway keeps the minutes.

The majority of delegates in the EWC have been members since the start in 1996. Most delegates have been reelected. The Chair has been reelected each year. Aside from his office as Chair of the EWC he is also Chair of the local Sif club at Assa Abloy in Eskilstuna. Sif stands for The Swedish Union of Clerical and Technical Employees in Industry and is the dominating union for white collar employees in the private sector manufacturing industry in Sweden. He is also union representative at the board of the Assa Abloy parent company. This means that he has regular access to corporate management and the company board and that he gets a lot of company information in his role as a board member.

The EWC had no formal budget but by agreement the company has undertaken to cover the costs for the EWC activities. This means that the corporate head quarter covers the costs for venues, food and interpretations. Each delegate gets their travel and per diem cost covered by the company in which they are employed.

The Country reports takes up most of the time of the EWC meetings. The delegates reports about lay offs, transfer of production, out sourcing and relation issues that effects the employment and conditions for members. Most reports are of a general informative nature but occasionally issues do come up that lead to decisions to take action in one form or another.

## **Influences**

### **Sectoral and market factors**

The Assa Abloy group can be described in several different ways; as an engineering company in mass production, as a building component company and as a company in the security industry.

The production of locks and handles is a mature market and is traditionally national with different standards and technical solutions. Assa Abloy has built an international business through acquisitions and a focus on respect for local conditions and values. This means that Assa Abloy keep national company and brand names and try to keep the national profile in each country. At the same time the company is cost sensitive and try to allocate production where there are comparative advantages.

The production of locks and handles means mass production of metal parts and assembly. The production process is not unique. It is design and technical solutions that make a product unique. This means that there is large scope for transfer of production from one country to another and a scope for large production volumes by standardising the use of components. At the same time each national company must be sensitive to national and local market conditions.

From a management point of view it must be important to create an understanding in the company for the business idea and to keep operative decisions at national level. The need for corporate homogeneity and co-ordination at operative level is limited.

The corporate management is primarily focused on the acquisitions and structuring of the group. This is handled in a small group of persons working in confidentiality and sometimes at high speed. This type of activity is hard to combine with the format in which

the EWC works: a large group of persons meeting only twice a year. The result is that the EWC gets the information after it has happened and is in reality not consulted before decisions are taken.

### **Company history**

Assa Abloy has a strong tradition of close union – management co-operation in the Swedish tradition. Relations have been friendly and constructive and management has always been prepared to listen to the unions. There has been union representation on the company board since the 1970's in both the parent company and in the daughter companies. Therefore the formation of the EWC was not seen as a dramatic change but rather as a natural development in line with the company's IR-traditions.

The formation of the EWC seems to have been dominated by the Finnish, Swedish and German unions in Assa Abloy. The union delegates in Sweden were called to a couple of courses organized by the Metal Workers Union and Sif. At these courses EWC agreements were discussed and the union officials informed about the official union policy on EWC and what was important to observe when negotiating an agreement.

The German delegate dates the initiative back to 1989 when Abloy Oy bought the German company IKON. Representatives from IG Metal in IKON brought up the issues of a EWC in the German Works Council.

With 100 different companies in the group and a rapid development with adding new companies to the group one can not talk about one homogeneous industrial relations culture. The corporate management is working hard to get all the national management and all employees to understand the core values. But at the same time operative decisions are left to the national level. There are no strong efforts to coordinate and standardise industrial relations and human relations policy in the group.

### **National industrial relations cultures**

Consultative councils on a national basis were introduced in Sweden in the 1950's. It was a well-established feature of local industrial relations all over the Swedish labour market until 1977 when a new Industrial Relations legislation was introduced. The consultative councils were terminated and new rules and procedures for information and negotiations were introduced. It may be argued that the introduction of the EWC is a step back to procedures from an earlier period in Swedish industrial relations.

The German industrial relations systems are marked by the Works Council system. The works council has a strong formal position and must be consulted before decisions in a number of issues of importance to the employees of the company. From a German point of view the EWC has a weak position in relation to decision-making in the company.

It can be assumed that the industrial relations culture in the majority of companies in Assa Abloy is primarily national rather than following a corporate Assa Abloy standard.

## Process

### *Interaction between employee representatives and Group Management*

The relation between the EWC and Group Management is good. No complaints have been voiced during the interviews regarding contacts with the management. The cost for running the EWC has not been a controversial matter.

The interaction between the Group Management and the EWC is limited. It is the Working Committee that proposes the agenda for the EWC meeting and it is generally not questioned by the management. Management turn up to the meetings as invited and give the information as agreed.

It is the Finance Director who is the principal contact point in EWC matters. He attends all EWC meetings where the management is represented. Beside him the CEO, and one or two managers from national companies where the meeting is held participate.

Two types of agenda items dominate the EWC meetings. Discussions about the company situation and exchange of information between the delegates about personal problems and the situation for the members in respective country.

The information provided by management seems to be comprehensive and complete. The union delegates have no complaints. The unions are also generally satisfied with the opportunity to ask questions.

On a couple of occasions there has been criticism from the EWC delegates regarding how the management has provided information on structural changes such as the transfer of production from one country to another. The company is listed on the Stockholm stock exchange and has to observe the rules regarding information that may have an impact on the stock market. In such cases the management regard the EWC as “outsiders” and have not been prepared to give information at the meeting that is not yet published. On one such occasion production was moved from Norway to Romania. The Norwegian union whose members lost their jobs complained.

The EWC has not been involved in any controversial issues that can be seen as a test of the influence of the council. The only EWC initiative with practical implications that has been reported during the interviews is the system with job exchange. The company has introduced a system where employees can apply to go and work for a short period in a Assa Abloy company in another country. The exchange can be adapted to the interest of the individual but usually lasts for a couple of weeks. The way the system operates has been criticised.

It is not uncommon that delegates of the EWC bring up matters that are of national rather than international character. Management do not dismiss such questions on formal grounds but tries to answer these questions as well. Often however they have to be referred to national or local management. In reality it seems as if the union delegates hope to get a better solution on a controversial matter if they can get corporate management to contact the local management.



### **Interaction on the employee side of the EWC.**

Interaction between the delegates of the EWC has been friendly and constructive. No major controversies have come up during the seven years of operation. The delegates that have served for many years have developed personal friendship and a good understanding of each others situation and way of reasoning. Some countries have changed delegates several times, and a newcomer to the EWC found it hard to play a more active role.

The language issue is a problem for the EWC delegates. The idea from the start of the EWC was that the use of interpreters was a temporary arrangement that should be dropped after some years. However the interest for using the right to language training has limited, and language knowledge has not been a major argument when electing delegates to the EWC. The Working committee communicates in English, but at the EWC meetings interpretations has been provided in up to five languages.

The EWC role as a forum for information and exchange of experiences is underlined in the interviews. Before the introduction of the EWC there were few contacts between union representatives in the Assa Abloy group.

The spread on information from the EWC is limited. The minutes are distributed to all delegates, and it is up to them to handle the further spread in each country. The minutes and also oral reporting takes place in the companies where the delegates work. It is not clear to what extent the minutes reaches out to all Assa Abloy plants that have no representative in the EWC. Reporting from the EWC at union members meetings do take place in Sweden and Germany but no information is available for other parts of the organisation.

### **Interaction on the management side of the EWC**

There is very limited interaction on the management side regarding the EWC. As the management regard the EWC as a union/employee matter the management see no need to engage in the operation of the EWC. The minutes are distributed among the Group Managers, but not to the national level unless there is a specific issue that is of concern to the national management.

The German manager that was interviewed has never seen the minutes from the EWC and has never received any EWC information from Group Management. He primarily gets information about the EWC from the German union delegate.

## **Outcomes and Impacts**

### **Employees**

The EWC in Assa Abloy is very much a forum for information. The reports from management are extensive but are all about past events and plan for the future on a general level. Very few items are about consultation for future operative decisions. The employee representatives have no complaints about the scope and content of the information.

The main result of the EWC so far is the contacts that have been built up between the delegates and the better understanding of the conditions under which they work and conduct their union duties. As the meeting venue has rotated among countries the delegates have developed an understanding of the work situation and the different relations that exist between the management and employees in different countries.

The EWC chair is one of the union delegates on the board of the Assa Abloy mother company. That means that he is well informed about the company strategy and that he has access to all important information about the company. It also means that he has personal contacts with the board members and corporate management. He is in a position to approach any management person in the company it needed. For other union delegates he represents a shortcut to corporate management. In cases where the local union representatives have problems in communication with their national counterparts they can contact the EWC president and via him get the matter up for the attention of Group Management.

For the employees the EWC represents a channel of information and communication. It can however so far not be described as a channel of influence on decisions.

### **Management**

The management does not regard the EWC as part of the management structure. In that sense there is no management expectation of a “management outcome” of the EWC meeting. For the management the important thing are friendly, constructive and co-operative relations to the employees and their unions. In that perspective the EWC is one element end therefore it is important that it functions well.

Officially management does not see the EWC is an instrument to foster Scandinavian style industrial relations but that is partly what is happening. As the EWC is dominated by the Swedish, Finish and German delegate it is that union tradition that has dominated the work in the EWC.

### **Discussion and analyses**

The EWC at Assa Abloy is primarily a forum for exchange of information between union delegates from the different countries where the company has operations. The fact that the group meets twice a year and that they have visited a number of Assa Abloy companies in different countries means that after seven years of operation the delegates have learned a lot. But it seems that it is primarily the delegates who can communicate in English that have benefited from the work in the EWC. Interpretation is offered at the meetings, but that only covers the formal proceedings at the meetings. The personal relations that may develop during the social meetings is restricted to those who can communicate in English

Another function of the EWC is the information provided by management. The information seems to be comprehensive and meeting the requirement of the EWC agreement. But it is of less importance to the Swedish delegates. They get the same information much quicker through the national union - management contacts. The management information is of importance primarily to the delegates from countries where national systems for information is less well developed.

The EWC also represents a "second" channel of communication above the national industrial relations systems. For union delegates who are not satisfied with the response they get from the local management they have a chance to bring the matter forward via the EWC. It can be done by raising questions and complaints to the corporate management representative that attends the EWC meeting. It can also be done via the EWC president. He can act on behalf of union delegates and bring matters up with national or corporate managers. With his position as board representative he has legitimacy and authority beyond what the normal union representative has.

From an outside perspective it seems that the Assa Abloy have successfully fulfilled phase one in its development, to get the EWC established and to create a climate of trust and co-operation. It is now time to formulate phase two. What to do next? Shall the EWC focus on more in depth information in special areas? Or shall the work be directed towards influencing the management policy? The impression is that the EWC has a potential that is not used to its capacity and that it is time to formulate some long term goal and strategy.

The German delegate expressed an interest in developing the EWC into a forum influencing managerial decisions in the way that the German Works Councils do. He proposed that the number of meetings be increased to four per year. That would be one way of activating the EWC. Another way would be to activate the Working Committee. It could assume a more active role as executive body for the EWC.

### **Assa Abloy EWC: Key Conclusions**

Key benefits for the employee side is information and networking

The EWC is strictly a union forum

The EWC represents a second channel for the union representatives to reach the Group Management beside the line organisation.

The EWC has no role in relation to management HR-policy development

The EWC has successfully established itself as a forum for information and exchange off experienced. The next step in the development is not yet formulated.

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Assa Abloy company report