

The Operations and Functioning of European Works Councils: The Case of Atlas Copco

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1. Company profile

The Atlas Copco Group is a global industrial group employing close to 26000 people around the world with production in 13 countries on 5 continents. Their main products are compressors, drills and mining tools, industrial power tools and assembly systems. The company has its origin in the late 19th century and expanded in the 20th century based mainly on compressor technique. During the last 10 years the company has grown through both organic growth and acquisitions. During the 90th expansion were mainly in the U S and present market ambitions is to increase the company's presence in Asia. In the past five years, compound annual growth averaged 15,3% mainly through acquisitions. The group hosts a number of brands (i e Milwaukee, Rand Air, RSO, Chicago Pneumatic, AEG) due to the many acquisitions and the policy is to uphold a multibrand strategy.

The company operates through 15 divisions organised in four business areas

- compressor technique/CT (33% of revenues – 8577 employees)
- construction and mining technique/CMT (14% - 4540 employees)
- industrial technique/IT (23%- 5986 employees)
- rental service/RS (30% - 6637 employees)

The group operates mainly on an industrial and professional market with customers in

- mining industry (8% of revenues)
- construction industry (42%)
- manufacturing industry (24%)
- process industry (12%)
- service industry (6%)

The North American market stands for over 50% of the revenues followed by Europe (30%), Asia/Australia with 11% and 4% each for Africa and South America. The group has ITS own sales operations in around 70 countries and service networks in another 80 countries.

The business area “rental service” is mainly based on acquisitions in the last five years in order to establish the group in the area of “use of products” – service, rental, maintenance etc. Present business strategy also consists of offering new products developed from core technologies, new applications in new markets, increasing market presence, acquiring business with complementary products and/or markets and strengthen the presence in the Asian market. Financial targets over the business cycle are;

- annual average revenue growth of 8%
- average operating margin of 15%

- increasing operating capital efficiency

Development strategies include continuous improvements in manufacturing, products, marketing, organisation and business flows towards better service and productivity as well as innovations in technology, concepts and methods.

The company is listed on the stock markets in Sweden, England and Germany. Main owner is the Investor Group (22% of the votes and 15% of the capital), other owners are a number of Swedish pension funds (6%) and banks (6%)

The Atlas Copco has its Group Headquarters (Atlas Copco AB) in Nacka, just south of Stockholm. The compressor technique business area has its centre in Belgium and the US, the construction and mining technique in Sweden and the US, the industrial technique in Sweden, Germany and the US and finally the rental business area is concentrated to the US.

The operations are based in the 15 divisions (5 in CT, 5 in CMT, 4 in IT and 1 in RS). The divisions have a total responsibility from product development to sales and services.

The executive group consists of the MD, the business area managers, the human resource manager and the financial manager.

Out of the 26000 employees worldwide

- 84% are men and 16% women
- 30% works in production, 30% in service, 20% in sales and support and 20% in administration, marketing and R&D
- 30% are white collar workers with a university degree or higher – mainly engineers
- 54% are under 40 years of age
- 41% are in North America, 39% in Europe, 12% in Asia, 4% in South America and 4% in Africa

In Europe the main production countries (in numbers of employees) are Belgium, Sweden and Germany followed by France, the UK and Italy. In Sweden there are about 2500 employees. in Belgium somewhat more and in Germany somewhat less. In the other EU-countries there are sales and service operations. Total amount of employees in the European Union are around 10 000 (2001).

The Group formulates its core values as

- interactive, working close with each other and customers
- committed, engaged in coming up with the best solution
- innovative, conviction that there is always a better way to solve the problem.

2. Method

The study has been performed on the HQ/parent company through interviews with the HR manager and Business Area Manager for the Industry technique and union representatives also from that area. The subsidiary interviews are from the German part in the same business area. Facts and figures has been taken from the annual report for 2001, information from the website and broschyres from the company including some facts from the interviews.

Interviews Sweden:

- 2) Management Insider; Group HR-manager
- 3) Management Outsider: Business area manager Industrial Technique
- 4) Employee Representative Insider: Chair of the EWC, local chairman Fagersta, Metal Workers Union
- 5) Employee Representative Outsider; Local Chair, Tierp Metal Workers Union

Interviews Germany:

- Management outsider; Executive Director, Atlas Copco Electric Tools GmbH
- Employee representative insider, Head of Works Council, deputy chair supervisory board
- Employee representative outsider, Works Council member, company level

It is important to realise that both Sweden and Germany have strong national legislative norms on worker representation - both in the company boards and between management and employees through negotiations and joint works councils. The responses from the employee representatives especially are being made from a rather high level of both unionisation and participation in the business operations.

3. The European Works Council

The agreement on the European works council was met on October 11 1995 under Article 13 of the directive and has since then been reviewed and was renewed in 2001. The main reason for the renewal was letting countries with sales and service operations into the council.

The council consists of

1. 4 members from each of the dominating countries in the group - Sweden, Belgium and Germany
2. 2 delegates each from France, Great Britain, Italy
3. 5 delegates from other countries (on invitation from the working group)

There is a working group (select committee) consisting of one representative from Sweden, Germany and Belgium each. The working group is responsible for

- 2) organising and preparing the agenda for the council meeting
- 3) co-ordinating the council and for information and communication between the representatives
- 4) dealing with extraordinary issues in between council meeting such as relocations
- 5) engage experts if needed
- 6) negotiate on changes in the agreement

The secretariat is being run by one of the Swedish delegates.

The purpose of the Council is to "serve as a platform for information and consultation i e exchange of views and establishment of dialogue...." (§3.1)

There is a general three-day meeting once a year consisting of a pre-meeting, meeting with management and post-meeting. From management there is participation from the MD of the Group, The HR-manager, the legal advisor and one business area manager (vice president).

The normal issues of the meeting consist of

- Information on business and economic development world-wide and in Europe
- Organisational and structural changes, transnational, European relocations concerning more than 10 employees in one country
- Larger investments, mergers and acquisitions
- Special reports from every country
- Reports from the developments in each business area
- Employment and general HR-issues

According to the agreement the information coming up at the yearly meeting should be distributed one week in advance, but that has been difficult to uphold. Normally therefore the presentations (often made on slides) are distributed during or after the meeting. The quarterly reports though are distributed. The working group decides upon the more detailed agenda of the meeting after a discussion with the HR-manager. Questions to management are also discussed on the pre-meeting.

The working group deals with special issues in between yearly meetings. It normally meets independent of management representatives, unless there are special issues such as restructuring and relocations. The working group is informed and reports are presented. If

countries outside the working group are affected, representatives from those countries will participate in the meeting.

The protocol is jointly agreed upon and sent out in English to all the representatives, Further information is dealt with in each country.

The agreement also stipulates the right for each representative to be given the opportunities to fulfil their tasks on working time. There is also a specific clause for the right of training e.g. English and other relevant issues (e.g. Economy), The EWC has had one joint training. Otherwise different representatives have had their own training through their local positions.

The process of forming the EWC started out on in the beginning of the 90th on the initiative of the Swedish unions and was a process between mainly the unions in Sweden, Germany and Belgium. The other concerned countries were invited but didn't show up. The local unions were supported by the Swedish confederations (The metal workers union). There were two preliminary meetings 1992 and 1994 and a negotiation process during 1995 before the agreement was signed in October that year. Those meetings were partly financed through the EU.

As the Management insider, who took part in the negotiations, describes the following negotiations, the union "sold" it to the management, realising the up-coming directive. Negotiators from the company were the HR-manager together with the legal advisor. The MD took part in the discussions through the executive group. Important for the management attitudes was also the fact that it coincided with Sweden joining the European union through a referendum in 1994. The Swedish industry in general was very much in favour of a Swedish EU-membership, which might have contributed to the positive approach.

4. Influences

"We don't really need it, but since we have it, let's make the best out of it..... It's important to make the union more company loyal on the basis that if the company goes well job will be saved. The unions and their members are almost more depending on the company and its success than management."

(Management Insider)

"In principle, the home country is still in the foreground of the members of the EWC"

(Employee Insider)

Atlas Copco is a typical industrial company working business to business or professionals, with few direct consumer products. It is characterised by high tech products in a mature industry. Production and product development is a dominant feature of the company. The last decade has been a period of acquisitions and following that also restructuring activities. It is a very decentralised company with a small central group staff (around 60 employees) for general and business area management, finance, legal advice and human resources. A lot of decisions are made in each business area - even if for instance relocation of production always is an issue for the board of directors. Many of the issues on the agenda of the EWC are solely related to one business area. Contacts and networking among the employee representatives are also much focused on those representatives in the same business area. Restructuring and relocation decisions are always an issue between business area management and the working group and the local employee representatives.

Though being a global company it still has strong roots in its Swedish origin. The Wallenbergs, an old Swedish industrial family, is still the dominating owner through its investment company, Investor. The industrial relations in the company are much based on the Swedish co-operative tradition. The production is based local where Atlas Copco often has been and still is the dominating employer also taking responsibilities for the local society

The company is by one employee representative characterised as very stable in its business procedures. Once a decision is made the company keeps to it. This creates reliability for the employees - at least in the short run. Managerial guidelines are the common denominator for managerial behaviour throughout the company. There has also been a training programme for all employees on the operations and values of the company. From the German respondents these company measures tend to sometimes be in conflict with national and/or local cultures on work, industrial relations etc,

Both management and the Swedish union representatives see it as important to "export" the Swedish industrial tradition. Management emphasises the export of the relations between management and unions where unions act more as a business partner rather than act adversary to company interests – seeking co-operation and joint interests rather than seeking conflict and different interests. The union representative on the other hand emphasises the union tradition - well organised, high density of members etc and that the Swedish experiences can be used in less "union-mature" countries.

Influences from different industrial traditions apart from Sweden are foremost from Germany and Belgium, those having the dominating industrial sites and number of employees. The

Swedish and German acts very much alike with the Germans being more formal on for instance agreements while the Swedes act more informally. The Belgians are more reluctant in taking part in decisions and have problems in competition between representation from different unions. Different national electing periods can also create some problems. But, generally the different cultural backgrounds and industrial traditions tend to be a minor problem both amongst the representatives and also between management and the representatives. The Swedish employee insider is, apart from being local chairman in Metall, the local blue-collar union, also a representative in the board of directors. This gives him extra information, often before the others in the EWC. He has to treat this information as confidential until released to the public or the shareholders - or revealed to the joint EWC. This information-advantage creates "suspicions" of him knowing things other doesn't and in this having special relations to the management. The Swedish delegates also appreciate the difficulties in "sitting at two chairs at the same time". The position as member of the board means you have to be careful with the information, make reservations when necessary not to commit yourself before the EWC-consultation.

All these differences in culture and industrial relations due to national legislation created problems in the beginning of the EWC. But over time, and especially through a joint training among the representatives, these are now known and accepted among the representatives.

The Atlas Copco EWC is in a high degree an union/employee lead council. It operates on its own. The management is "invited" to the plenary meeting - as the Employee representative formulates it. The company support with secretarial resources, but functions, such as taking notes etc are being performed by the representatives themselves. There is a budget for each plenary meeting. Other costs are being accepted when needed - if they concern the group as a whole through the parent company and if it is locally based by the national company. There is not much use of experts. Early in the process the national and European confederations were helpful, mainly in "opening doors" and supporting the negotiations on the agreement. The management who is not very keen on having non-employees in the EWC appreciates this.

The working group meets three or four times a year, independently of the management but also together with management if it has to do with for instance relocation decisions. Informal contacts between the working group and management are on a weekly basis.

The transnational issues involving management and employee representatives in the EWC and the working group are primarily concerning

- the general development of the company - strategic, economic and financially - mainly at the plenary sessions
- human resource strategies and policies - also mainly at the plenary sessions
- restructuring and relocation, involving the working group and concerned local representatives

5. Process

I think we have established a basic strategy towards the EWC.. This means informing as much as possible – often more than what is stipulated in the agreement. There are few things kept in the dark. But we don't use it as an active instrument. It is important for us to listen and if we don't agree at least get an understanding of the situation from the unions.

(Management Outsider)

Interaction between employee representatives and group management

As earlier pointed out, the EWC is very much driven by the union/employee representatives; the working group has its own meetings, the management is “invited” to the plenary meeting, questions are being initiated by the representatives.

The process in the council has developed over the years and procedures have matured. In the early days of the EWC, local issues tend to be brought up but now those issues are dealt with locally and the “real” transnational issues are those who are being discussed during the meetings.

On every EWC plenary meeting, aside from the general economic information, there is a report and discussion on the situation in each country. Every meeting there is also a detailed presentation on one of the business areas, which means that over a four-year period every business area is thoroughly examined. This can also mean that issues from a non-representative business area cannot be discussed in detail

When it comes to information and consultation on Human Resource issues, the employee representatives rely on the company's use of ISO-standards - on quality (incorporating certain HR-issues such as competence), environment (incorporating work environment). Management regards these (world-wide) minimum standards as sufficient for the European level, leaving the rest to the national legislation. Personnel policies are dealt with through the personnel management and the company chain of command, through among other things the management guidelines. There is also a general target on training, setting a minimum standard of 40 hours training for each employee every year. In what way the EWC has had any role in enforcing this is harder to say.

The management is anxious to follow the agreement and be as generous as possible when it comes to information - even exceeding the demands in the agreement - especially on restructuring issues. The most important motive is using information as a way of making the employee representatives more involved in the company business strategy and understand the economic and market conditions. In this respect management also supports training of the individual members (language and economy).

The problems concerning restructuring and relocation has foremost been a timing problem - for instance who gets the information first - local unions/representatives or the EWC/working group. Through a number of relocation-decisions concerning different countries – such as France-UK, Germany-Czech Republic – the procedures have developed. The normal procedures are to inform the local unions a short while (maybe as little as one hour) before the

EWC-representatives. The negotiations are being carried out locally but the EWC can make some contributions. Important in these negotiations is that everyone knows his role.

The following example of moving part and the production from Germany to the Czech Republic might serve to illustrate the information and consultation procedures on relocation. The example is also one, which shows that the management tries to inform on restructuring issues on a broader scale than the agreement presumes.

- 1) A preliminary decision in the board of directors of the Atlas Copco Group giving negotiation mandates for agreements with the works councils
- 2) Information to the local works council in Germany and one hour later to the Working group together with German representatives
- 3) Information to the Subsidiary and Holding company in Germany (Board of Directors)
- 4) Information to all employees and the press
- 5) Negotiations on the terms for the relocation

This process is seen by the Management Outsider in Germany (who also was responsible for it) as a reasonable way of dealing with restructuring when it comes to information flow and consultation. He didn't encumber any conflicts during the process between different levels of employee representatives. From the employee representative side the problems were that they got in too late. He had the impression that management had discussed it and analysed it for at least half a year without any consultation. And that this also led to a rather firm position from management on the issue itself. Even though the local German representatives and the supervisory board tried to collect material to argue for keeping the production the time for consultations were not granted.

Interaction among employees

The Atlas Copco EWC has now been running for almost 8 years and a network has been built up between the employee representatives. Earlier conflicts due to different traditions and cultures has been replaced by more of trust, partly depending on joint training but also dealing with practical matters in a number of restructuring cases – both acquisitions and relocations. Informal contacts have been developed, even if language still is a problem – you cannot use interpreters over the phone or via e-mail. A number of the representatives have had the chance to co-operate over the years and build up personal relationships.¹ But then new ones have joined the EWC and you have to build up new relationships. From the German perspective there is also the problem of the Swedes receiving information that they won't (or can't) reveal to the others. Even if personal trust has been built

The Swedish employee representative outsider also points to the importance of the individual representative, in this case the Swedish chairman who has been very important for building up the EWC and trustful relations; *“It all has to do with the person, not the mandate”*.

Most of the transnational contacts are between the representatives in the EWC. The Swedish employee representative outsider is somewhat disappointed at the absence of transnational, European contacts on lower levels amongst the representatives. He points out contacts in the

¹ An illustrative example of this kind of contact was that during the interview with the Swedish EWC-chairman he received a phone-call and spoke Portuguese over the phone. It was the Portuguese representative that called!

business area – he knows the representatives by name but not face and through contacts. The German representatives on the other hand seem, at least for the time being, pre-occupied with internal development on the national company level. But at the same time, the German outsider asks for more cross-country information.

It is important to realise that both the German and Swedish EWC-members get very much information from their role as members of the company boards - the group and the national company for the Swedish representative, the national company for the German, often as much or more as they get through the EWC. On the other hand the German employee outsider points out the importance of information through the EWC, not just from management but through the network building itself, for instance in the above mentioned relocation process.

The employee representatives are torn between their local country mandate, fighting for the jobs in their own region or nation and the wish to avoid competition and strengthen the cross-country union co-operation. Especially the German representatives argue for more legal rights for concluding agreements on a European level.

Language is perceived by the German representative as one of the bigger problems in creating efficient communication and the building of networks among the representatives. It works during the plenary session, but as soon as experts and management is absent and by that the simultaneous translation, communication problems occur. Partly this is solved by getting to know each other's cultural and social backgrounds - learning on a personal level. This is one of the strong arguments to increase the length of participation for each representative in the EWC.

Internal information among employee representatives works well in Sweden. There are regular union group gatherings with employee/union representatives from the different parts and sites of Atlas Copco in Sweden. Matters that has been or will be treated at the EWC (or working group) are discussed. There is also a good co-operation between the different (blue- and white-collar) unions and information go cross these borders. One of the above mentioned meetings is a joint meeting between the unions. The outsider points out that it is mostly oral information and often one-way and not interactive.

In the German situation The German outsider primarily sees a communication problem in that information is being filtered - both on the way up and on the way down - even though they have both pre-meetings and meetings afterwards.

For the written information, also reaching the single employee, there is an information leaflet informing of the most important things that has been discussed at the EWC (Sweden). It is up to each country to use the minutes for further information in the way they decide. The EWC is planning a web-site to be linked to the Atlas Copco Intranet.

All employee respondents are of the opinion that the knowledge of the EWC and what happens there amongst the work force is very low, if not non-existing.

Interaction within management

The EWC has not in any way changed the basic organisational decision-making and chain of command. On issues of relocation it has made the process more structured. Business area

managers use the built up informal contacts, especially in the sensitive relocation decisions. The EWC is not a big issue in the executive group, though the agenda is discussed. Lower management is not involved except in cases where they play an active role in restructuring. Management knows where to get information, minutes etc but nothing more.

There seems to be a low motivation for a middle manager to seek information on what is going on in the EWC. Benchmarking between different parts of the company is being carried out, but has no linkage to the EWC.

6. Outcomes and impacts

Employees

“We have got more information and knowledge - we get red flags to initiate discussions and action plans”

(Employee representative, insider Sweden)

From the employee perspective the outcome and the impact of the EWC is very clearly the possibilities of getting more information on the company and its changes etc. By developing a clear information process on closures and relocations this also seems to be satisfying. But still there are disappointments in the consultation process - no time to formulate an alternative, decisions already being made etc. There is also the lack of future oriented information - both in terms of environmental and market analysis and future strategies.

The information received seems to be more useful for the representatives in their own countries than initiate a joint cross-country action.

The German employee representative expressed that even his low expectations hadn't been met.

Mutual trust between the employee representatives have been developed building on joint training and continuous communication and learning, but through changes in representation the communication has lately deteriorated

Management

“The main advantages are that the meeting between persons leads to a better understanding among the countries. Disadvantages are the costs and time required”

(Management outsider, Germany)

There has been no major impact on company structure and process with the exception of the information process on restructuring. The EWC has not been used in an active way by the company to fulfil its business objectives - more than trying to make the decision processes more smooth.

The EWC has not changed the legal and operational structure and the chain of command built on a global strategy for the company as a whole and for the business areas, while the decisions and necessary negotiations are being dealt with in each country, based on national regulations. No European HR-structure in the company has been built. There is no managerial need for this level and it is seen by management as a function of a possible development of a legal EU-structure.

Human resource management and industrial relations

” There is no chance at all for us to develop a position as there is not much time between the decisions by the central management and the realisation of this decision. ”

(Employee representative, insider Germany)

” We didn’t really have any expectations, and we have tried to make the best out of it. We need good relations to avoid disruptions. But the fact remains, we don’t really want it”

(Management insider, Sweden)

The EWC has not had any decisive impact on the development of Human relation management. The management guidelines, for instance, are global. They can be seen as more of policies and letters of intent. When it comes to more of personnel “hardware” the company follows the national regulations. Some of the employee representatives look on the possibilities of developing certain European standards or minimum levels on for instance Occupational Health and Security.

There is though somewhat more impact on industrial relations - especially building relations, trust and networks - both between management and employee representatives and amongst the different employee representatives. The high ambition from management on information seems to fill much the need of information from the employee representatives, even if some of them get almost the same information in other capacities. One must remember though that this is only relevant for the Germans and the Swedes, due to their positions in their respective boards..

7. Discussion and analysis

General conclusions

The Atlas Copco case illustrates rather well a probably main-stream EWC with its focus on information - and generous one from the management . But on the other hand there is no visible results in making any differences on the decision making in the business processes (relocation/restructuring) or the development of European policies and standards in HRM.

It also illustrates that the EWC process and how it is perceived is very dependent on the interests of each partner in the Council. The different views expressed by the German and Swedish employee insider representatives is one interesting aspect. Even though the German and Swedish union and industrial relation structure is rather similar and you have reached a comparatively high level of co-determination in both countries and part of the companies, the representatives totally differ in their appreciation of the EWC. The fact that both management and unions in Sweden see the importance of exporting the Swedish model, despite their somewhat different focus on the model, is one explanation. The Swedish model builds among other things on that the employees and their representatives accept change (even relocation of jobs) in exchange for job-security measures and employment support from the society. On the other hand the German tradition is one of influencing the operations as well as the terms of employment. And the relocation process in Germany did not obviously meet the local expectations based on the national way of handling relocations.

Another important conclusion, or at least hypothesis, is that the managerial motives for using the works council is important for the result of it. You can almost say that the result of the EWC in terms of getting information and influence in the company is a straight function of the ambition of the group management on how to use the EWC. And this is true also for a very worker oriented EWC such as that in Atlas Copco. It might also be that the self-sufficient position of the EWC plays a negative role for management's treatment of the EWC. A hypothesis can be formulated as follows:

“The more involvement in the EWC (setting the agenda, taking part in the select committee, initiating joint work etc) from management the more consultative, or even negotiating, role the EWC can play.”

The alternative way to strengthen the consultative role is for the EU directive to be more specific. The German respondents for instance points out timing as a strategic issue - time to evaluate proposals, investigate alternatives, calling on expertise.

Another issue of interest from the Atlas Copco case is how the internal employees system for internal relations, information and communication can be developed. When it comes to cross-country, cross-union, the role of joint training in the EWC seems to be important. To have contingency amongst the members is also important in order to build lasting networks. Language is still a problem - you might consider demands for the employee representatives to have a basic knowledge in the company language and that the company offers that or even demands it.

Future developments

"We all need a bigger cake to share. We need wise men and women, well trained looking after the best for the company and finding win-win situations. You need local unions seeing the whole picture"

(Management outsider, Sweden)

"The EWC needs more rights and competencies and there need to be more obligations for the management. This is required if the EWC shall survive as a committee."

(Employee insider, Germany)

From the respondents we got the following thoughts of the future development of the EWC. where you can differ between two different kind of views:

1) Developing the scope of the EWC

- providing the EWC with more legal rights and not be dependent on management's good will making the problems and needs obvious in the EU-context (legislation and parliament)
- developing the same working conditions all over Europe, especially in the enlargement perspective
- revitalisation of the EWC through the new countries, for instance focusing on new issues such as wage comparisons etc

2) Developing co-operation and trust based on the present principles

- using the EWC as a way to be able to act on a tougher employer strategy (based on the principle "if you can't beat them - join them")
- a more intense use of English as the working language
- more interactive work during plenary meetings
- increasing the ambitions in making the employee representatives more business oriented
- loosening up the links to the unions and strengthening the liason between being employed in the company and being on the EWC
- letting in the enlarged countries on the same principles as the present agreement, but with some changes in representation and the role of the working group

Summing up - key aspects

The Atlas Copco case and the findings from it can in short be summarised as follows:

- A rather concentrated EWC with three dominating countries
- A worker based works council building knowledge and trust among the employee representatives through training and long-term relations
- Showing examples of the process of restructuring, information flows and timing problems
- Illustrating the different perspectives of an information oriented management trying to build company loyalty and business orientation amongst the employee representatives and employee representatives seeking to create a more negotiating an influential relationship with management on a European Level.