The Operations and Functioning of European Works Councils: The Case of Swedish Match

Tony Huzzard
National Institute for Working Life
Stockholm
(tony.huzzard@niwl.se)

Ian Kessler
Templeton College, University of Oxford
(ian.kessler@templeton.oxford.ac.uk)

Company profile

Swedish Match is a world leader in niche tobacco products, cigars, snuff, pipe and chewing tobacco, as well as matches and lighters. Products are manufactured in 26 plants in 15 countries and sold in some 140 countries. Annual turnover in 2000 amounted to 11,533m SEK and the total number of employees in the group is between 13,500 and 14,000. The Swedish Match share is listed on the stock exchanges in Stockholm (OM:SWMA) and the US (NASDAQ:SWMAY) in the form of American Depositary Receipts (ADR). On 30th September 2001 the group had a total of 102,703 shareholders, 30% of whom were from Sweden and 70% from overseas.

The stated objectives of the group are ‘…to strengthen its position as a leading global player in the area of smokeless products (snuff, chewing tobacco), brown tobacco (cigars and pipe tobacco) and profitably develop its lights business (matches and lighters)’. In its third quarterly report for 2001 the group saw itself as an increasingly streamlined multinational with favourable growth in selected niches, in line with the strategy adopted three years previously. In terms of markets, the group aims to ‘…further consolidate its position in the European and North American markets and continue developing positions in certain selected markets in the rest of the world.’ The strategy laid down by the group to meet these objectives is fourfold:

- Core growth areas of smokeless products and cigars
- Constant cost containment
- Prudent and profitable acquisitions
- Leverage through a broad geographic reach and a balanced product mix.

Key future-oriented measures are currently under way, particularly in the snuff product area, where the focus is on continued organic growth. Corporate management are also continuously evaluating various acquisition prospects.

The production, marketing and sale of Swedish Match's tobacco products take place through four geographical divisions: North Europe, Continental Europe, North America and Overseas. Continental Europe also accounts for the production of lighters. The Match division is responsible for the production of matches, while sales takes place in the geographical divisions. The corporate headquarters of the group is in Stockholm where departments are located for group finance, corporate affairs and group human resources. Details of the divisions are set out in table 1.
Figure 1: The Divisional Structure of Swedish Match

<table>
<thead>
<tr>
<th>Division</th>
<th>Activities</th>
<th>Headquarters</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Europe</td>
<td>Manufacturing of snuff. Marketing snuff, cigars, pipe tobacco, matches and lighters in the Nordic countries.</td>
<td>Stockholm, Sweden</td>
</tr>
<tr>
<td>Continental Europe</td>
<td>Manufacturing of cigars, pipe tobacco and lighters. Marketing products in Europe with the exception of the Nordic countries.</td>
<td>Valkenswaard, The Netherlands</td>
</tr>
<tr>
<td>Overseas</td>
<td>Manufacturing cigars, pipe tobacco and snuff. Marketing the company's products in South America, Australia, Asia and South Africa.</td>
<td>Rio de Janeiro, Brazil</td>
</tr>
<tr>
<td>North America</td>
<td>Manufacturing of cigars, pipe tobacco, snuff and chewing tobacco. Marketing the company's products in North America.</td>
<td>Richmond, Virginia, US</td>
</tr>
<tr>
<td>Match</td>
<td>Manufacturing of matches in Sweden, Brazil, Spain, Hungary, Turkey, Bulgaria, Indonesia and India. Matches marketed globally through the four geographic divisions</td>
<td>High Wycombe, UK</td>
</tr>
</tbody>
</table>

The basic values of the group are stated at the company website as follows:

- Communication: a commitment to strive for an active, open and honest dialogue.
- Teamwork: finding better solutions through teamwork and sharing of experience.
- Trust: trusting that every employee speaks and acts in the best interests of Swedish Match.
- Innovation: creating an environment that stimulates new ideas and the desire to realize them.
- Recognition: taking a continuous interest in every employee's efforts and future capabilities.
- Growth: undertaking to provide development opportunities for employees in order to create a better Swedish Match.

Swedish Match has played an important part in the industrial and commercial sector in Sweden since the early years of the 20th century. The origins of the Group's match and disposable lighter operations can be traced back to Svenska Tändsticks AB, which was founded in 1917. Tobacco operations commenced in Svenska Tobaks AB, the former Swedish Tobacco Monopoly, which was founded in 1915. The successors of these organisations (STORA and Procordia respectively) joined forces in 1992 in the form of an acquisition by the latter of the former. The key events in the recent history of the group are set out in table 2.
Table 2: Swedish Match 1992-2001

1992
Procordia acquired the match and lighter operations of the then Swedish Match, and incorporated these operations into Procordia’s United Brands business area.

1993
Procordia United Brands changed its name to Swedish Match. Volvo's holding in BCP amounted to 74%.

1994
Tobacco, match and lighter operations merged into a single group, with Swedish Match as the Parent Company. Volvo acquired 100% of Swedish Match.

1996
Swedish Match listed on the Stockholm Stock Exchange and Nasdaq on May 15. Commenced negotiations on EWC agreement

1997
Interests in manufacturing companies in Turkey, Finland, Bulgaria and India acquired, also a distribution company in Sweden. Swedish tobacco taxes raised by 63%. EWC agreement signed (9th October)

1998
Operations acquired in Australia. Swedish tobacco taxation was reduced. SEK 1.2 billion transferred to shareholders after share redemption. New president and CEO appointed. Intensified rationalization and restructuring.

1999
Focused strategy - new organization. Cigar, snuff and pipe tobacco companies acquired. Cigarette operations divested.

2000
Acquired 64% of General Cigar Holdings
Acquired Brasant (South Africa)
Joint venture with Gum Tech

2001
Acquired BAT/Rothmans South African pipe tobacco operations
Acquired dry snuff operations in Central Europe
Details of personnel employed broken down by European country are set out in table 3. Data on employment by division was, however, not available at the time of the study.

Table 3: Personnel employed in Europe by country (all divisions), 2000 (source: Swedish Match Annual Report, 2000 page 43)

<table>
<thead>
<tr>
<th>Country</th>
<th>Employment (EU)</th>
<th>Employment (non-EU)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>538</td>
<td></td>
<td>538</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>251</td>
<td></td>
<td>251</td>
</tr>
<tr>
<td>France</td>
<td>69</td>
<td></td>
<td>69</td>
</tr>
<tr>
<td>Germany</td>
<td>51</td>
<td></td>
<td>51</td>
</tr>
<tr>
<td>Hungary</td>
<td></td>
<td>295</td>
<td>295</td>
</tr>
<tr>
<td>Ireland</td>
<td>44</td>
<td></td>
<td>44</td>
</tr>
<tr>
<td>Netherlands</td>
<td>485</td>
<td></td>
<td>485</td>
</tr>
<tr>
<td>Portugal</td>
<td>28</td>
<td></td>
<td>28</td>
</tr>
<tr>
<td>Switzerland</td>
<td>28</td>
<td></td>
<td>28</td>
</tr>
<tr>
<td>Spain</td>
<td>161</td>
<td></td>
<td>161</td>
</tr>
<tr>
<td>Sweden</td>
<td>915</td>
<td></td>
<td>915</td>
</tr>
<tr>
<td>Turkey</td>
<td></td>
<td>212</td>
<td>212</td>
</tr>
<tr>
<td>UK</td>
<td>81</td>
<td></td>
<td>81</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2372</strong></td>
<td><strong>786</strong></td>
<td><strong>3158</strong></td>
</tr>
</tbody>
</table>

**Method**

Contextual data on Swedish Match was obtained from company documents including the 2000 Annual Report and various materials downloaded from the company website. Interviews were conducted as follows:

**Swedish Match, Stockholm, Sweden:**

- Management insider: Group Vice President (Human Resources)
- Management outsider: Vice President (Human Resources), North Europe Division
- Employee insider: ex-Chair, SIF (Swedish White Collar Industrial Union), Business Analyst, North European Division
- Employee outsider: Chair, CF (Swedish Association of Graduate Engineers), Research Chemist, North European Division

**Swedish Match, High Wycombe, UK:**

- Management outsider: President (world-wide), Match Division
- Employee insider: Human Resources Manager, Match Division

It should be noted that the insider/outsider perspective in the UK subsidiary of Swedish Match takes a particular form. For the purpose of the overall study, it was originally envisaged that the insider perspective in the subsidiary would comprise an EWC representative on the employee side and the HR manager on the employer side. The outsider perspective would be based on the views of a non-involved employee representative and another line manager. In Swedish Match UK this proved to be difficult. The Swedish Match presence in the UK is
restricted to the marketing activities of the Match division. Some 70 staff are employed in occupations that do not have a particularly strong tradition of union organisation in the UK. The last manufacturing operations in the UK, at Liverpool, closed in 1994.

In insider terms, the respondent is both the HR manager in the UK subsidiary and the employee side representative for the UK. She was questioned primarily as an employee representative although her views were no doubt influenced to some extent by her management role. Swedish Match, UK, has no form of employee representation. This made it difficult to interview an outsider employee representative. An outsider line manager was, however, interviewed. In short, two interviews were conducted at Swedish Match UK – the insider employee representative who happened to be the HR manager, and an outsider manager.

The EWC

The EWC agreement was signed on 9th October 1997 suggesting an Article 6 agreement. The signatories to the agreement were the current Group Vice President for HR, three managers from the divisions and employee representatives from five countries: Sweden, Belgium, The Netherlands, Spain and France. Signed approval was also given by the then CEO and a national official of the Swedish Grocery Workers Union who was closely involved in the negotiations.

Employee representatives are appointed for a period of office of four years. They attend on a proportional basis, country-by country, viz. countries with more than 50 full time employees – one member; more than 100 full time employees – two members; more than 500 full time employees three members; and countries with more then 1000 full time employees four members. Accordingly the current composition of the employee side is as follows:

Sweden: 4 members
Belgium/Holland: 4 members
Spain: 2 members
France: 1 member
UK: 1 member
Hungary: 1 member (observer status).

Four of these were female at the time of the study.

The de jure chairman (sic) is the CEO, but the de facto chairman is the Group Vice President for Human Resources who, in his own words, ‘runs the show’. Other members of the management team may attend depending on the agenda. For example, the President of the Match Division, normally an outsider, stated that he was in attendance when the issue arose of rationalisation of the Match Division in Europe: he presented the background to the issue but did not argue the case for rationalisation.

The EWC meets twice a year. Around 6-8 weeks prior to each EWC meeting a special committee meets to agree the main bulk of the agenda. The employee side of the Special Committee comprises one representative each from Spain, Belgium, the Netherlands and Sweden. The agreement allows the parties to arrange extraordinary EWC and special committee meetings. Since the commencement of the EWC in 1997 one extraordinary meeting has been held in connection with a plant closure in France (see later section of
report). The typical format of the EWC meeting was described by the Group Vice President (HR) as follows:

 Normally we have the meetings twice a year in Brussels. That is a full day meeting and the TU reps meet the day before to prepare questions then I give a presentation over dinner. Next day they prepare questions then there is the formal EWC meeting after lunch where [the CEO] participates – giving information and answering questions. Most participants then travel back in the evening. For most it’s a two-day event twice a year – for some who have to travel further it’s three days.

Clause 2.2 of the agreement specifies the scope of the EWC as being:

```plaintext
...a forum for information and consultation on business matters of a strategic and transnational nature that affect Swedish Match as a European company within the EU and EES. This shall cover questions that affect Swedish Match operations in two or more countries. Such questions include Swedish Match’s structural, economic and financial situation, the likely development of operations, production and sales, the personnel situation and its likely development, as well as important changes that affect the form of the organisation, re-location of production, mergers, reduction or closing of operations, companies or important parts thereof, as well as the laying off of employees employed under collective agreements.
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The Group Vice President (HR) described the typical content of EWC meetings thus:

 Normally the finances for the previous half year [are presented]. The CEO will present the changes that are taking place - the developments within the company as a consequence. And then there are questions. We have areas where we have been restructuring – the match business and the lighting business. They ask questions – what is going on? And what is happening as a consequence? And there is quite a lot about the future.

The employee side insider in Sweden also stated that her colleagues had sought budget information but this was not forthcoming.

The agreement states the Lingua Franca of the EWC as being Swedish (although respondents thought it was English). In practice English is used in the special committee with translation into Spanish whereas the full EWC is ‘a bit of a mixture’ with documents being produced in Swedish, English, Spanish and Dutch.

**Influences**

**Sectoral and market factors**

The interviews yielded clear evidence of managerial sensitivity to image for a firm in the tobacco sector. This suggests a desire for good public relations on the part of Swedish Match. The implicit suggestion here is the need for an ethical perspective on running a business that takes into account the needs of stakeholders, including employees. The President of the Match Division felt that such was the nature of the business the EWC would on balance be desirable without legislation:

*If it was optional I think we would have one. If it was an option it would be good PR to have it. We work very hard at good corporate governance in all respects. It is probably the right way to go particularly for a tobacco company. Stay whiter than white.*
A similar view was expressed by the Group Vice President (HR):

...we know the existence of the Directive and the obligations we have to people in and outside Europe. The strategy is that we conform to this. But I can’t say we do so with a lot enthusiasm – but we do what we think is necessary to be good citizens in European society.

The company was seen as rather heterogeneous not least because of the different nature of the business from country to country. The upshot of this was perceived fragmentation amongst the employee side on the EWC and this at times was seen to express itself in parochialism. This was particularly clear in the Match Division whose President stated:

The fact that in the match business it is not a homogenous business across Europe is important. The factory in Sweden is very different to the factory in Spain. If 10 factories in Europe were all making products to the same spec it might give more legitimacy to a Europe wide council because everybody is talking about the same thing. I am not doing that. There is really no similarity between the organisation that [my HR Manager] represents and the organisation in Spain the Spanish guy represents.

Market trends can be said to have had a degree of influence on the content of EWC since its inception. In particular, there has been a declining demand for matches in Europe leading to an excess in capacity in general across the continent. This has out of necessity meant that corporate restructuring including plant rationalisation has been a frequent topic on EWC agendas.

**Timing**

In the interview, the Group Vice President for HR stated that there was already the ambition for some sort of EWC in 1996 and that the process to establish an agreement had already started by the time the Directive had been incorporated into Swedish law. Negotiations were considered by those interviewed as being somewhat protracted - in the words of the Group Vice President:

I didn’t expect to spend so much time finalising the agreement. It needed many meetings with union reps from many companies and translators and so on. But we reached an agreement and it’s OK – it’s not a huge step forward for mankind.

Although the agreement appears to fall technically under Article 6, there is thus evidence suggesting that an agreement would have been reached voluntarily. The employee insider from Stockholm was of the view that managers from the former ‘Swedish Tobak’ (Procordia) arm of the merger retained a tradition from the earlier days of highly consensual industrial relations (see eg Levinson, 1996). Moreover, she saw the motivation of management at that time in the following terms:

They didn’t want the law to be imposed on them. They wanted to keep the initiative by reaching agreement voluntarily rather than being forced by law.

**Company history**

As stated, some evidence is discernible about different industrial relations cultures being associated with the two Swedish companies that preceded the takeover in 1992. In particular, a spirit of co-operation known in the vernacular as ‘tobaksandan’ (tobacco spirit) was said to permeate the former tobacco arm. This manifested itself in consensual industrial relations and
close co-operation on the trade union side and a well organised inter-union ‘reference group’ through which information flows took place with senior management. The existence of such an arrangement and its routines has clearly been of benefit in the early evolution of the EWC. As explained by the employee side outsider in Stockholm:

We have something that has historically been called ‘tobaksandan’ which has been a spirit of close co-operation between and staff and management in the company. The role of the reference group is very much a part of this. It’s acted as a forum for information exchange rather than a negotiating body. Management have often sought advice from the group – which has often contained strong union reps. But this is something more associated with the tobacco division rather than the match division.

But his insider counterpart detected a recent switch away from consensus and the ‘tobaksandan’:

Well – it’s as if the Swedish Match culture is taking over. I would say there is less consensus – we can’t easily put forward our ideas informally. Everything is formalised and takes such a long time. But we’ve retained the same structures and processes – we still have the reference group for example. We have in theory the same consultation model, but the content is not that vivid any more.

A possible reason for this perceived difference between the two cultures was the differing fortunes of the two businesses:

...the difference could depend on the fact that Svenska Tobak always performed well as a company, good results and so on, whereas Swedish Match had it tougher.

National industrial relations cultures

The national industrial relations culture of the Swedish Match parent company can be said to be well aligned with the intentions of EWCs particularly in regard to consultation and information disclosure. Obligations on employers on these matters have been codified in the Swedish laws on co-determination which have existed since 1977. In this sense, the setting up of an EWC was not too much of a deviation for the Swedish Match group management. Yet such an approach to IR is far from universal: the President of the Match Division, from a UK perspective, candidly admitted that the Swedishness of the company was:

... very much under the skin. They have a peculiar set of employment laws which occasionally I have fallen foul of. This involves the requirement of company management to discuss and negotiate any decision of any commercial nature that may impact the welfare of the workers. My background has been industrial relations of an adversarial nature. When I first landed into the Swedishness of this company it came as rather a shock where you could be in a situation where you could have a non-confrontational discussion about a serious issue with trade unions and where trade unions could show at least outwardly they did have the company’s best interest at heart.

The EWC is therefore characterised by different national cultures and IR traditions. The employee outsider in Stockholm stated:

I’ve only heard this second hand but my impression is that reps reflect their different IR cultures – for example we in Sweden have a co-operative tradition – particularly academics.

It could be stated then that considerable heterogeneity has been a feature of the EWC and this has posed a major challenge for all involved.
**Process**

**Interaction between employee representatives and group management**

The full EWC meetings typically involve the following process:

1. Joint determination of the EWC agenda by the special committee (6-8 weeks in advance)
2. Employee side only meeting (day 1)
3. Presentation from management over dinner (day 1)
4. Employee side prepare questions arising from presentation (a.m. day 2)
5. Formal EWC meeting with CEO answering questions (p.m. day 2)
6. Drafting and circulation of minutes

Outside the special committee, the contact between employee representatives and managers responsible for the EWC is infrequent.

Beyond the routine exchanges, the EWC interactions can best be understood by reference to a recent transnational business decision – a plant closure in Lyon, France, and the movement of its production to Ussen in the Netherlands. Here the first step was for management to inform the special committee of their decision to ‘initiate the process of reviewing the plant’. Here, as in the co-determination arrangements in Sweden, the wording is very delicate – there is no express declaration of a ‘planned closure’. This coincided with a scheduled meeting of the special committee with information disclosure and a full and frank exchange without agreement. The proposals were then presented locally in France and dealt with under French law. An extraordinary EWC meeting was subsequently held to discuss the issue formally with the employee side – but by this time the matter was fully in the public domain and the French courts had already declared lawful the company’s proposals. The Group Vice President (HR) recalled:

*You can reach an agreement in the process – but that is very rare. In France if there is disagreement the company has the right to go to the courts for a decision. We gave a comprehensive analysis. We gave all the information we had to the special committee in an intensive presentation. The same information on which we based our decision and the same given to the local unions and the court. Maybe some additional material came out in the court process, I don’t know - I wasn’t there. But all the basic information was disclosed.*

The employee side insider from Sweden was not a member of the EWC at the time, but did sit on the Swedish trade union reference group. She was of the view that the decision to close the factory had already been made prior to information disclosure to the special committee and recalled the event as follows:

*The EWC representatives gave us, the Union Reference Group in Sweden, a summary on what had happened in France and said that they did not have any chance to be a part of the decision process. The local employee people (if they are going to negotiate with the management) should also, in my opinion, be involved at the same stage as the EWC special committee. Every country in the EU has for sure different legislation concerning how the negotiations should be organised locally. But, the EWC should have the potential to see the operations in a much larger context, and make an overview of all operations.*

Group management felt obliged to inform the EWC – and did so through the special committee. But management also felt that those employees directly involved should be
informed before the proposals become public knowledge. Unfortunately news of the proposals were leaked from an unknown source to the press. Not only was this unfortunate in the context of the actual business decision, it also posed difficult questions for the EWC on the question of confidentiality.

As to the agenda, it appears that both sides are equally able to include items subject their eligibility as laid down in the agreement. In the words of the employee insider in the UK:

My feeling is that it is quite an equal process. Management are at the special committee meeting. We always have a presentation on the financials of the company, so we know what is happening, where we are doing well, any sort of acquisitions. So from management there appears to be a set format. I certainly feel that if I had a point I wanted to discuss I wouldn’t have a problem getting that on the agenda. I’d contact a colleague on the special committee. But I haven’t done that up to now.

No dedicated resources are set aside for the EWC. Its costs, for example travel and translation, are met within the existing Group HR budget and the EWC secretary is the secretary of the Group Vice President (HR). Likewise, on the employee side, no special office or personnel resources are set aside for EWC work. Employee side representatives attend meetings of the full EWC and the special committee in company time. In general neither side draws on external resources in the form of lawyers, consultants, national union officials or employers organisations. The exception to this was the assistance sought during the initial negotiations to establish the EWC.

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

As stated, the employee side meets separately from management on the day before each full EWC meeting. Developments at the EWC are then reported back to the national union organisations. In Sweden this takes the form of a joint reference group consisting of representatives from the various unions organising within Swedish Match: the Swedish Grocery Workers Union (Livs), the Swedish Union for Clerical and Technical Workers in Industry (SIF), the Swedish Association of Graduate Engineers (CF) and the Swedish Association for Managerial and Professional Staff (Ledarna). The minutes of the EWC are not circulated to the reference group. The reference group appoints the Swedish representative on the special committee. Contact is made between the special committee members and the other EWC members by informal discussion prior to meetings as well as telephone and e-mail exchanges. Typically the channel between the EWC representatives and individual employees is through the medium of their annual report to the members, usually in written form. As to the outsider on the employee side in Sweden, he stated that he is informed of EWC developments through the reference group. He had some informal contact with the employee side insider interviewed here, but little contact with the other EWC members. In his words:

I don’t often have contact with the others. But I do have contact through the [inter-union] reference group. I sit on this – it meets before the scheduled board meetings – 4 to 5 times per year – and deals with the most important issues. A lot of information is channelled through this body – it takes up what is on the board agenda and there is information disclosure.

In other words he doubted whether he gained anything through his feedback from the EWC over and above that which he already received by virtue of his position as a deputy member of the Swedish Match Board of Directors.
As to the UK insider, the picture is difficult to assess because, as explained, the employee side insider doubles up as the HR manager and her interaction with fellow employees on site is undoubtedly through her latter capacity. Her version of the employee side interaction at EWC meetings is as follows:

The delegates arrive the night before. The EWC is the afternoon of the following day. So that morning we meet around 8 till 1.00. That is quite difficult. I am not convinced that is the best way to do it: the meeting cannot run for as long as it wants. There are no follow-ups. The minutes are generally circulated but that also takes time. There is some now contact between the delegates via e-mail. I have spoken to 2 or 3 of the other delegates in the last couple of months.

She saw the role of the special committee as mainly laying down the agenda for full EWC meetings. Some informal contact had been made between her and the special committee members, but she confessed that this was often of a social nature. Such contact was usually by e-mail. No systematic contact was made between the special committee and the wider workforce.

**Interaction within management**

As to inter-management interaction, if there is a certain question discussed, often the responsible manager is at hand to present the background, for example the restructuring of the lighter and match businesses as referred to previously. He/she then generally communicates on to other managers. Alternatively, if it is seen to be an important issue by the Group Vice President (HR) he will act himself directly. In his view, however:

...there is no routine transfer of information. In our internal magazine we have a communications channel – and we have informed of the existence of the EWC through this and there may be an internal notice in the magazine about the EWC. But then there is the question of how many people read it. I don’t see much interest from either managers or outsider union reps about the EWC.

On his appointment in 1996 the Group Vice President (HR) set up a company wide HR Council for HR managers throughout the group. He recalled that the EWC recurs occasionally as a topic for discussion on this body but had hardly changed the way it worked. The HR Council could be seen as a forum for the international co-ordination of HR matters, but its existence predated the EWC.

The management outsider in Stockholm generally felt rather distant from the proceedings of the EWC. The main channel was informal by virtue of his close physical proximity and personal friendship to the Group Vice President (HR). His version of the inter-management interaction is thus:

The first connection was 97 or 98 when [the Group Vice President for HR] showed us a big book and said now we will have negotiations on a European level. But since he is the man who is participating at the EWC level that means that we are not involved other than take in basic information. But I have not prioritised that at all. Information on the EWC is nice to know, so far, but I don’t really need it. I know a little about what kind of projects have been going on and how it works but not much more than that. I haven’t read any books on it - it’s mainly stuff from [the Group Vice President for HR].

No management side briefings had taken place and the outsider had not been asked to provide any input into the EWC, although he was of the view that the possibility of doing so was open. He did not see the minutes and was unaware of any other documentation. Overall he
concluded that the information that was disclosed at the EWC was already available to him through the alternative channel of his divisional superior – the divisional president.

His outsider counterpart in the UK, the President of the Match Division also confirmed that he did not routinely see the EWC minutes but that they were available as and when he was interested as had happened on one issue previously. He summarised his position thus:

_It sounds very cynical but I only need to know if something is going wrong. And if it is likely to hit my business and impact on what I do. I don’t know what has been discussed in recent EWC meetings._

**Outcomes and impacts**

**Employees**

The main benefits of the EWC for the employee side have been registered in those countries that don’t already enjoy well-established rights of consultation and information disclosure in their domestic arrangements. It seems reasonable to suggest that the EWC has led to a closing of the ‘disclosure gap’ for those in countries with weak legislation in the area, for example Spain. But the EWC does not add value for employees where information disclosure and consultation are already well established. In Sweden, where co-determination laws and the presence of union representatives on company boards are well-entrenched features of the industrial relations landscape, there appears to be little added value for the union representatives. The employee side outsider in Stockholm admitted that:

_I guess I have the information I need through my membership of the board. But to be perfectly honest I don’t actually know what the EWC does – I suppose it’s something that you have to have as a multinational._

This appears to confirm, too, the minimal outsider and employee awareness of the EWC. The interviews with the employee representatives yielded no evidence of any cascading effect of the EWC down to HR procedures at national or local levels. It is possible to point to an increase in general awareness among the employee representatives, but it cannot be said that the employee side necessarily speak with one voice in the dealings with management. The evidence does not suggest that there are conflicts or tensions on the employee side, nevertheless, the representatives first and foremost represent their own constituencies. The employee side therefore has the appearance of being somewhat fragmented and often with separate agendas. This was expressed by the UK employee side insider thus:

_I don’t feel there are conflicts or tensions between reps. The level of understanding has certainly grown. There are very different characters. But there is this understanding that they are there representing their membership and they have a job to do. There are tensions between the representatives and management at times._

This view was echoed by her superior:

...they are very parochial, very blinkered. They are all about the sovereign factories, it is all about what will impact me and my immediate members.

On a more positive note, however, the UK employee side representative stated:
There is a feeling that you are not a lone voice. I do sense people have an understanding of what is going on elsewhere. There is a compassion. There is a benevolence there. Communication has improved: I didn’t know what was happening in other countries. But there is more information to share. People are no prepared to discuss things but group-think could play a part in the future. You need new blood and new ideas so it is finding that balance.

Management

From the management perspective the EWC has had little or no impact on the way managers have approached the decision making process on transnational matters or indeed on the content of the decisions themselves. The feeling remained that where major transnational decisions were involved it remained the right thing to do to inform those directly affected locally in the first instance. Hence the need for prior disclosure to the special committee to remain confidential. There was some difference of opinion on the management side, however, on the question of whether the EWC had had the effect of slowing down decision making. The Group Vice President (HR), for example, was of the view that:

I don’t see that it slows down decision making. And I think you need to look at the long term advantages. I think it can slow down things if you introduce too much bureaucracy – strict rules and regulations. Where Sweden has had an advantage is that there’s been mutual understanding on having flexibility in procedural arrangements. I see a risk if one is coming into a more defensive or protected environment through the EWC.

On the other hand the President of the Match Division stated:

There is almost an unspoken requirement to follow this [Swedish] approach to people relationships. That is not to say that some of us don’t find the process, including the EWC, a pain in the neck, it is a pain the neck and its an irrelevance, takes time but we have to do it.

This apparent difference, however, illustrates that cultural differences are not restricted to the employee side – they are also evident between managers from different national backgrounds.

Pointing to the benefits of the EWC, the Group Vice President (HR) identified the value of body as a vehicle for increasing cross-cultural understanding within the group – and that this had been a learning process. In his words:

I see the learning aspects as a possibility – and see that as an advantage that is worth the money. Something that can provide an input to other areas. It has increased awareness, too, on the need to adapt to changes in the marketplace and the conflict between maintaining things and change. The relationship between the outer world and what is happening in the inner world of the company. I don’t see it as it is now – a forum for consultation and information sharing – as a hindrance.

The management side outsider in Stockholm saw the impact of the EWC as being minimal, although initial concerns about the danger of bureaucratisation have turned out to be unfounded. His view here was as follows:

When it was set up I feel that it was a kind of bureaucracy being built up by the EU. It was hard to see what either party could gain. So we were hesitant: what could it contribute? Today I know a lot more - there are a lot of meetings, a lot of issues are discussed. But I don’t see much impact from our point of view - very little. It’s the same - it hasn’t made our environment any better or worse. But it’s working better than I thought.
The conduct of human resource management and industrial relations

In general, apart from the introduction of transnational information disclosure and consultation, the EWC has had a negligible impact on human resource management and industrial relations. Each country continues to conduct matters according to domestic rules, regulations and traditions and the EWC is simply an additional structure on top. On the other hand, it is acknowledged that the EWC does act as a useful learning tool that aids HR practices internationally. The Group Vice President (HR), for example, recalled that:

*We can see that there is a movement towards more respect for differences and deeper understanding of the international environment – more profound knowledge about the group which is I think quite an achievement. There is more mutual respect for differences. In a way it is the EU in miniature. And I think it is an achievement that this is not breaking apart. It gives us a structure and it’s working. As an international forum it’s quite interesting to learn how difficult it is to run an international body and get something out of it. There are very few concrete decisions made, but it is a learning experience.*

However, it would be an overstatement to claim that the EWC was a strategic HR forum for helping the company to achieve business objectives. The Group Vice President (HR) again:

*I think it’s overstating things to call it a forum for achieving HR and/or business objectives. I don’t see that it can do this at least in the short run. It could be a possibility later for reaching some HR objectives. Strong international learning could be an HR objective that is achieved through the EWC – that experience from the body can be brought over to other areas.*

From a UK perspective, the President of the Match Division did not see the EWC as developing a central HR or strategic role in the company. He was of the view that:

*As currently constituted, it is difficult to say - it is still in the process of evolution, but I don’t see the EWC being influential. In relation to the decisions made about the company these are made at divisional management level and above. There’s input to all these people from a huge number of sources. I don’t see the EWC as being one of them*.

It cannot be said that the EWC has directly prompted the development of pan-European policies on employment relations or human resource management within Swedish Match. Some aspects of HR are conducted internationally, for example management development and education. But these aspects are handled on a global basis and have evolved independently of the EWC. The employee side insider in Sweden explained that the employee side on the EWC had sought to use the body as a forum for promoting a European training policy. Their proposal was to undertake a personnel development audit through the EWC by means of issuing a questionnaire to staff at locations throughout the group but this channel had been opposed by management. It is hard to detect any impact on the quality of working life or direct employee involvement in decision making.

**Discussion and analysis**

The rationale of setting up an EWC for Swedish Match has been consistent with both the industrial relations practices of the home country of the group and the historical traditions
within the company, particularly its tobacco arm. However, the initial period of the EWC has still yielded some problems for its participants, notably on the issue of confidentiality as well as practical difficulties in regard to translation.

The need for disclosure to the EWC (in practice, on sensitive matters to the special committee) has led to some tensions in the conduct of HRM/IR. Management faces a real dilemma in fulfilling its obligations to the EWC on the one hand and the need for disclosure of bad news to those directly affected in the first instance on the other. This dilemma was well illustrated by the case of the French closure.

Confidentiality has proved to be a thorny issue and was a contested area in the negotiations to set up the EWC. Eventually the following clause was drafted in the agreement (clause 4):

Members of the European Works Council, their replacements and experts and observers that are called in, may not disclose any information that has specifically been given to them in confidence. All confidential information obtained from Swedish Match shall be treated as such in accordance with the company’s routines and may not be reported or disclosed. This also includes the minutes and summaries of meetings compiled in accordance with section 5.8 of this agreement.

The Chairman, after consultation with the Vice Chairman shall determine what information is deemed confidential. The obligation not to disclose confidential information continues to apply even when the EWC member’s and their replacement’s mandate period has ended. This also applies to experts and observers who have been called in, once their assignments have been completed.

Despite the agreement, however, the management insider in Stockholm expressed the view that the EWC today was still spending more time on formal questions such as confidentiality and how to achieve information disclosure than on the actual substance of dialogue. A major difficulty on information disclosure, moreover, was that of abiding by Stock Exchange rules. He explained the dilemma thus:

We are limited in what we can inform them about. We cannot inform them about things we haven’t officially informed the stock exchange – this is stock exchange rules and regulations. You cannot announce the closure of a factory for example to the unions before you inform the stock exchange – it has to be simultaneous. But we can say if we do that, then this will be the possible consequence. So they can get some information and analytical material so they can understand what sort of direction our products are heading for – our global development. But that is the same information that is given to the stock exchange but you can come to different conclusions.

The employee insider saw the issue as follows:

A lot of stress has been put on early information, but this is in contradiction with confidentiality. If we don’t get early information we can’t contribute any ideas. And there can’t be co-operation. It’s difficult to get this early information – it’s catch 22.

The EWC cannot be described as a means for unions to have a united influence on transnational business policy or strategy. Quite possibly, the less developed are the employees’ domestic arrangements on information disclosure and consultation, the greater the benefit to them of the opportunities afforded by the EWC. This, however, is a speculative conclusion which needs testing through interviews with employee insiders from, say, Spain. But, as stated, where co-determination already exists and unions have a presence on company boards as in Sweden, then the benefits of the EWC are negligible to the employee side.
It also appears to be the case that although some forum was deemed desirable for transnational exchanges, a more appropriate arena would be a global works council: restricting the forum to Europe was rather artificial. However, even if such a body did emerge it does not follow that there would be a co-ordinated transnational HR policy.

As to the substance of the EWC, apart from the routine presentation of financial information and corporate strategy, most discussion has tended to be of a problem tackling nature. Latterly this has been particularly noticeable in the Match Division. It certainly cannot be said that the EWC has been a forum for employees and their unions to make proactive interventions on either strategic or operational matters. In that sense the experience of the EWC has certain parallels with the co-determination laws and their subsequent codification in collective agreements in Sweden.

Most respondents seemed to see the experience of the EWC to date as a learning process, particularly on the matter of cross-cultural understanding. It would appear that this has become its primary role - it cannot be said to have replaced or altered the already existing structures and processes of human resource management. Respondents on the management side also saw the benefit of the EWC as a useful PR tool that aided good corporate governance. But the general view from both sides was that as the EWC was still evolving, it needed more time to bed down. The management outsider in the UK implicitly acknowledged its infancy by saying:

*If we were convinced that when we sat around a table, management and union reps, if we knew that we all had the same objective, which was the preservation and betterment of the company, if we really felt that in the EWC, it would be less of a pain in the neck. Then the conversations could be open and could be rational rather than as it currently is, it is more of a set piece presentation and rehearsed answers to anticipated questions - that is not what I would call dialogue.*

However, the Group Vice President (HR) argued that:

*If I was asked about what changes were necessary to the Directive I’d say don’t change it for the time being because I think there needs to be a longer training period. It’s more important to train your representatives to work in an international environment and learn about other national cultures.*

Reference

PART TWO

Assessment and recommendations

Conceptual framework and methodology

The conceptual framework appears to capture most of the key structural and processual aspects of relevance for an evaluation of EWCs to date. However a few comments are necessary arising from the conduct of the Swedish Match case. First, in relation to figure 1 of the original ‘conceptual framework’ paper. It is certainly worth framing questions relating to the various influences listed in the figure. There may, however, be others for example the role and history of trade unions in the process and the existing forms of employee representation more generally at the time of the setting up of the EWC. A further factor is the competency levels of the employee side both on matters relating to international business and linguistic/cross-cultural skills.

As to the objectives/perspectives, both insider/outsider perspectives are necessary in my view even though in many cases the interviews from the outsiders were not a rich source of data. The inability of the outsiders to give answers to our questions on the EWC is in itself an interesting research finding suggesting clear diffusion shortcomings of EWC affairs to those on the outside. It is not possible, in my view, to study interaction processes adequately without looking at the interaction (or lack of it) from the perspective of both parties involved. The difficulty with the design, however, is not that the outsiders have relatively little to say, but, rather, that we cannot be sure about their representativeness. To what extent is any one individual ‘outsider’ representative of others who likewise do not sit on the EWC? We could improve the credibility of our findings here by interviewing more outsiders up to the point that the marginal interviewee adds nothing extra in terms of deviation of the story. But this could be time consuming.

A further point that the Swedish Match case has thrown up is the problems of employee side representation on the EWC when there is no formal means of employee representation. In the UK subsidiary (division) there is no management side/employee side distinction as the country representative is a manager who is acting in a capacity as an employee representative. Are the existing interview schedules appropriate in such circumstances? If the main study is to be extended to include multinationals with HQs in countries with non-union traditions such as the US then this situation may be more common than is presupposed in the conceptual framework.

The case suggested that there are outcomes of significance other than those suggested in the conceptual framework, notably that of increased cross-cultural understanding and the usefulness of the EWC as a PR tool particularly for a company sensitive to business ethics and a stakeholder perspective. There was no direct influence on employee involvement or QWL. It seems rather far-fetched that EWCs can directly impact on such areas. However, if the main study nevertheless wishes to pursue these issues it will be necessary to define more clearly what we mean by both employee involvement and QWL. By employee involvement do we mean involvement by all employees or just those on the EWC? And what do we mean by involvement? – company decision making? – framing business strategy? – what? As to QWL, this concept is very imprecise and thus difficult to operationalise. Are we talking subjectively, ie is it something rather close to job satisfaction? Or we talking about a more
objective definition which takes in various parameters of job (re)design such as job enlargement, job enrichment, empowerment, developmental scope and so on?

Research instruments

The interviews with the insiders took between 1 and 2 hours to undertake. This is simply too long for people with busy diaries. Some suggestions are thus needed to streamline the insider interview schedules. First, the ‘can you tell me the main changes over the last three years in…’ questions became extremely repetitive. I would suggest one general, open question to cover all these. Secondly, quite a few of the questions in the schedule were simply of a factual nature. Often this information could be gleaned from the EWC agreement. Indeed, I would suggest that getting a copy of the agreement is the best way to start with conducting the case studies. Asking the respondents about the facts can reveal interesting deviations between perception and reality. But as I understand it, the project is not principally built on socially constructivist foundations – so such deviations are not of interest. In particular, much of the data sought in the pro-forma schedule could be ascertained from the agreement and company documents.

Some questions, for example those on resources, can be compressed to a single question – again this should be fairly general and open – for example: ‘what are the key aspects of resource support that you provide to operate the EWC?’ A similar contraction can be done on the impact questions (question 9 on the schedule). The cases, I think, are greatly enriched by the respondents’ stories of the role (or lack of it) of the EWC in a transnational business decision. I feel that we should try to encourage this - and find the time in the interview to let them talk at some length through open questioning of a less structured nature. This, however, can probably only be done by cutting back on some of the structured aspects of the interview.

The Swedish Match case generated rather clear evidence on problems of cultural adjustment and cross-cultural communication. This was without prompting – but it could be a good idea to add to the schedules a question or two in this area. For example: ‘What problems have cross-cultural communication been in your firm? Have they surfaced in the operations of the EWC? To what extent has the EWC acted as a forum for increasing cross-cultural understanding? How has this happened?’ In addition, it would be interesting, I feel, to end the interview with a question eliciting their views on where they think the EWC is going and the possible scenarios for its future evolution. It is also worthwhile including as the final question the ubiquitous ‘do you have anything you’d like to add?’ question.

The pro-forma schedule on the company profile seemed suitably comprehensive for the project’s purposes. Given the time taken to undertake the interviews, however, I felt that I was unable to go through the questions with the insiders and, instead left the form with them to complete prior to returning to me. At the time of writing this report the form has yet to be returned. However, all the data sought by the schedule has been obtained from other sources.

As stated, the insider schedules need to be streamlined to avoid unnecessary repetition and questions of a factual nature. The outsider interviews tended to take no more than three-quarters of an hour and the schedules seem reasonable in scope. It would be worthwhile, too, to conclude the schedules with a question inviting the respondents to speculate on the future evolution of the EWC and the ‘do you have anything you’d like to add?’ question. We should also ask them whether their view of the EWC is typical of other outsiders – better still, we should interview more than one insider in each category (employee side, management side).
The research instruments do not encompass many of the questions on processes in the conceptual framework paper, namely those under the boxes (pages 8-11). The issue remains of how and where these fit into the study. These are, in general, further questions that can only be directed at insiders and to ask these would, I feel, clog up the interviews even more than the current schedule. In terms of Swedish Match, many of the questions appear to attribute a degree of significance to the EWC that simply does not chime with reality – the question thus arises of whether this rather deep probing is appropriate. However, such scepticism is not necessarily generalisable from the Swedish Match study.