

Sustainable Company and Fair Relationships: EUROPEAN EXPERIENCE FOR IMPLEMENTATION IN ISRAEL

Editors:
Dr. Roby Nathanson, Itamar Gazala
Tel Aviv, February 2015

Hans Böckler
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This book is the first output from the fruitful dialogue between the Macro Center for Political Economics and the Hans-Böckler-Foundation which resulted in the development of a joint action plan for research on the topic of “Codetermination and Sustainable Organizations: Worker Participation in Israel and Europe in an Era of Global Economies and as a Sound Element in Corporate Governance” which is based on relationships between employers, workers, policy makers and expert researchers in the field.

The transition in Israel from a nationally oriented economy, which is widely regulated by the State, to a more competitive global economy that increases the power of capital owners and transnational corporations, resulted in new challenges concerning sustainability and worker participation.

Sustainability should be founded on worker participation, just capital distribution, ecological and socio-economic constraints. The balance between all these factors ensures stability, long-term existence and sustainable capability of business organizations, working places and consequently, of society in general.

The Israeli and German expert researchers whose ideas appear in this book present their conclusions and recommendations on key issues, such as: Worker Participation, Sustainable Companies, Corporate Governance, Structural Changes, Fair Relationships, Social Dialogue and the Green Economy.

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Edited by Dr. Roby Nathanson and Itamar Gazala

The Macro Center for Political Economics
Hans-Böckler-Stiftung

The views expressed in this publication are not necessarily those of the Macro Center for Political Economics or of the Hans-Böckler-Stiftung.

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Introduction

The fruitful dialogue between the Macro Center for Political Economics and the Hans-Böckler-Foundation resulted in the development of a joint action plan for research on the topic of “Codetermination and Sustainable Organisations: Worker Participation in Israel and Europe in an Era of Global Economies and as a Sound Element in Corporate Governance” which addresses relationships between employers, workers, policy makers and expert researchers in the field.

The purpose of the research project is to examine various codetermination and business sustainability models, including models existing in literature and in practice, and models which will be developed within the framework of the research. The feasibility of implementing relevant models in Israel will be examined using various measures, including legislative actions.

We intend to present codetermination as a form of new corporate governance design that fosters firm-specific knowledge investments, intrinsic work motivation, efficient monitoring, and board diversity while lowering transaction costs. In addition, ecological processes that occur at a relatively fast pace require structural changes in environmental protection strategies. These processes will be examined in the context of the labour market with a focus on sustainable growth, labour relations and corporate cultures with emphasis on gender equality. New strategies that will contain a mechanism for updating their content according to environmental constraints will be generated.

Our analysis will indicate that shareholders can increase their company's value and, accordingly, promise its sustainability by adopting customized codetermination principles. This will lead to an improvement in the employees' wages and consequently reduce wage differentials and inequality in the economy, strengthen competitiveness and increase labour demand. As individuals are more involved in decision making in the workplace, it infiltrates into other areas of life and ultimately leads to a more collaborative and democratic society.

This book represents the end of the first phase of the research project which was launched at a seminar that took place in October 2014 with the participation of a delegation from Germany and local scholars, employers, employee representatives and decision makers.

The first chapter of the book addresses the topic of “Worker Participation and The Sustainable Company”. The chapter, by **Anne-Marie Kortas** and **Dr. Sigurt Vitols**, presents The Sustainable Company as a contrasting model to the dominant shareholder value model and specifically underscores the importance of worker participation in such a company. The Sustainable Company is composed of 6 dimensions: (1) stakeholder value, (2) sustainability goals and strategy, (3) long-term responsible investors, (4) remuneration oriented towards sustainability, (5) disclosure of social and environmental performance, and, lastly, (6) the stakeholder voice, including worker participation.

Making use of this model, the chapter summarizes two measurements of worker participation: European Participation Index (EPI) and the innovative *Mitbestimmungsindex (MB-ix)*.

Whereas the first one allows for a cross-sectional analysis of worker participation across countries, the second one focuses on board-level representation in Germany. The EPI identifies three groups out of the 31 analysed countries in Europe: (1) widespread participation rights, (2) limited participation rights, and (3) no (or very limited) participations rights. The *MB-ix* uses a sample of 160 companies which were part of the German DAX, MDAX, SDAX and TECDAX stock indexes on 31st December 2006 or on 31st December 2012. Applying the *MB-ix*, the paper finds that worker participation has increased since the Financial Crisis and is positively correlated with sustainability. The greater strength of worker participation can be attributed mainly to a rise in international employee representatives, an increase of external employee representatives as deputy chairpersons and the existence of more European Works Councils. The positive relationship between worker participation and sustainability is stable throughout most of the examined category scores offered by the international sustainability ratings agency ASSET4.

The second chapter of the book addresses the topic of “Worker Participation as a Sound Element in Corporate Governance”. *Corporate Governance* refers to processes and relations by which corporations are directed, distribute rights and responsibilities between its stakeholders and participants, and apply procedures for decision making on corporate matters, as a means to increase business sustainability. An increasing number of critics of corporate governance point out the corporations' need to decentralize governing processes and responsibility in order to strengthen corporations' ability to face and overcome financial crisis, and among other things, to increase

worker participation in governing structures of the corporation. In order to address this gap in the literature, this chapter by **Assaf Bondy** will review some existing forms and institutions of worker participation and codetermination in Israel and will articulate ways of increasing worker participation in corporate governance in Israel – its past, present and expected future. The chapter will emphasize the importance of existing structures in industrial relations for the reinforcement of codetermination processes and of worker participation in corporate governance, such as *general collective agreements* and *Joint Production Councils*. Through critical analysis of these mechanisms, the author suggests new ways to strengthen worker participation for the formation of better and more sustainable corporate governance systems. While criticizing current forms and tendencies in worker participation mechanisms and in the absence of codetermination norms in modern corporations, the chapter demonstrates how change in industrial relations norms and structure – such as the reintroduction of industry level negotiations and prohibition of factory level wage negotiations – facilitate reinforcement of democratic and sustainable corporate governance.

The third chapter of the book addresses the topic of “The role of social dialogue for anticipating and managing structural change for the benefit of the workforce and the business – The European context and two practical examples”. The chapter, by **Eckhard Voss**, based on various research projects and studies by the author for the European Commission, Eurofound and EU level social partners, has two objectives: First, to present a concise overview of major drivers and trends of restructuring in the European Union, and second, to describe

the overall approach taken by the European Commission and key EU institutions to foster an anticipatory and socially responsible way of managing restructuring at the company level in a way that benefits both workers and their jobs as well as employers and business interests. In this context, the chapter presents two cases of good practice implementing such an approach.

Even before the 2008 financial and economic crisis and the euro crisis of 2010 and onwards that has resulted in a severe deterioration of the labour market situation with around 5 million jobs lost between the autumn of 2008 and the beginning of 2014 (4 million of which were lost in the euro area alone), the EU member states have experienced an acceleration of restructuring. Major drivers of corporate restructuring have been global mega-trends such as growing internationalisation, technological change, relocation or offshoring as well as EU-specific drivers that are linked to the economic and monetary union, market liberalisation and EU enlargement.

Against this, a European policy directed towards socially responsible restructuring has been fostered by various initiatives since the late 1990s. Thereby, both “hard” (EU regulation) and “soft” (such as mutual learning from best practices, the method of open coordination) measures are combined to manage economic restructuring and its social consequences.

At the same time, the overall picture of managing restructuring in Europe is characterised by a remarkable pluralism and diversity of activities and outcomes at the national level, within countries and sectors and between different groups of employees. This diversity has increased sharply since the 2008

and 2010 crises and, in view of the fiscal austerity programmes that were implemented in the context of the EU's new economic governance regime, the ability and effectiveness of tools and instruments to handle restructuring in a socially responsible way has been questioned.

However, the two examples described in this paper in more depth illustrate also that the EU level normative approach of social dialogue, workers' involvement and socially responsible restructuring is not only wishful thinking. The two cases also clearly illustrate that combining good and even better working conditions, comparatively high job security and wages on the one hand and increasing productivity and competitiveness of a firm on the other hand are far from being incompatible. If based not on a purely cost-orientated strategy of modernisation and change but on a business model that most adequately could be described as a '*sustainable company*' model, employee involvement, strong interest representation and co-determination rather should be regarded as elementary parts of such a model.

The fourth chapter of the book addresses the topic of "Reviving Employees' Involvement and Fair Relationships in Israel: Guidelines for Success in an Era of Structural Changes". Drawing on previous literature and on ethnographic research conducted among twenty worker's committees in Israeli companies, the chapter by **Dr. Gadi Nissim** offers guidelines for the implementation of fair relationships and employees' involvement in Israeli companies in times of structural transformation.

The first guideline is to use a broad and yet clear definition of the term "employees' involvement". The author suggests adopting inclusive and flexible terms such as "sustainable company" and "multi-stakeholders" in order to adhere to the essence of this policy and at the same time to adjust it to contemporary structural transformations.

The second guideline is to launch a campaign in order to gain legitimacy among employers. This campaign would highlight the fact that employees' involvement often improves productivity and those employees and their representatives not only enhance their particular interests, but are also obligated to the company's business interests.

The third guideline is to initiate a socialization process that would nurture a two-tier culture in the company. This will cause the employers to be more exposed to issues like industrial relations, labour law and more. The employees' representatives, on the other hand, will be further exposed to unfamiliar principles of the neo-classical economy, business administration, and more. This will improve the dialogue between the parties.

The fourth guideline seeks to cope with the growing fragmentation of companies into two groups of workers, the company's employees and those hired by outside contractors. The author suggests endowing contractors' workers with a new status of "stakeholders", and inviting them to participate in joint management forums even though they are not officially workers of the company.

The fifth guideline refers to the union's role in the process. In companies with unorganised workers, employees' involvement will address both professional matters and labour relations. In companies with organised workers, on the other hand, the author suggests there should be a distinction between matters of the company as a whole that will be addressed by the involvement of employees who are not necessarily affiliated with the union; and matters of the workers as a group that will be represented and dealt with by the union.

The fifth chapter of the book addresses the topic of “Worker Participation in General and the Case of the Business Sector and the Hi-Tech Industry in Israel in Particular”. The chapter, by **Dr. Limor Kessler Ladelsky**, begins with the development of the markets in the world, the ownership revolution and the sharing of compensation between workers, owners and managements. This revolution has changed the system of labour relations in the labour market and has emphasized the need for workers to be involved and participate, to varying degrees, in their workplace: in management, decision-making processes, profits, and so on.

The chapter reviews the models of worker participation in the literature in Israel, Europe, USA and Japan. Moreover, it addresses the definitions and types of worker participation in the business market in the literature, in general, and in Israel in particular. From this point, the chapter focuses on worker participation in the hi-tech market, including: the meaning of worker participation in general in the hi-tech sector and the types of worker participation that exist, theoretically and practically, in this sector in Israel.

Additionally, the chapter reviews the conditions that enable development and existence of worker participation in hi-tech companies. Finally, recommendations for the implementation of worker participation in hi-tech companies are suggested. The chapter also raises suggestions for further study that will research the German model of worker participation in hi-tech companies, and what aspects of this model can be adopted in order to create worker participation in hi-tech companies in Israel.

The sixth chapter of the book addresses the topic of “Establishment of worker participation in sectors where it seems unusual – The example of SAP – Still a challenge for trade unions in Germany”. The chapter, by **Dr. Sebastian Sick**, discusses the sectors of knowledge workers and precarious service workers which are particularly difficult to deal with for trade unions and the system of codetermination in Germany. One example of a sector where worker participation is often unusual is the ICT sector with its highly qualified, individualistic employees.

A very prominent example is the one of SAP, headquartered in Walldorf, Germany – a world leader in software enterprise with 67,000 employees worldwide, including 22,000 in Germany and 750 in Israel. Regarding market capitalization, it is one of the five largest German DAX 30 companies. SAP’s worker participation represents two key future challenges for trade unions in Germany and shows two dimensions of an adoption of worker participation in an unusual way. First, the individualistic corporate culture and the opposition to collective mechanisms to enforce individual interests lead to alter-

native forms of representation. A works council at SAP was not founded until 2006 and faced strong opposition at the beginning, and second, the internationalization of participation structures. Worker participation in the supervisory board nowadays is not enshrined in law but was agreed on in an international negotiating process. Due to that, there is an additional rather strong European SE-Works Council.

Additionally, SAP with its business model of a software company, in-memory computing and real-time database, represents a key industrial sector due to its relevance in driving a change in industrial production and working life (“industry 4.0”) towards more intelligent automation and communication of systems (smart factory). The chapter addresses the question of the role that is left for trade unions and worker participation systems in an individualistically oriented industry with highly qualified, well-paid academic employees with a hostile attitude towards external trade unions. Finally, the chapter also describes the Europeanization of the representation system and perceives some encouraging developments.

Finally, *the seventh chapter* of the book addresses the topic of “Worker Participation and the Transition to a Green Economy”. The transition to a green economy will have a significant impact on all industries and will affect workers throughout the economy. The effects will vary – new jobs will be created, but other jobs will be eliminated and many employees will need to update their skill sets. Yet, the relation between the expected structural economic change and worker participation has not been studied thoroughly. This chapter, by **Ro’ee Levy**, offers an initial review of how worker participation affects the

transition to the green economy. At the company level, several studies have shown that employee involvement often increases the environmental performance of firms. At the national and international level, trade unions involved in climate negotiations demand more actions to mitigate climate change and a just transition to the green economy. Employee involvement is not confined to demanding general environmental improvements; workers often also demand specific actions that will ensure their interests during the transition, including improvements to the local environment, decent jobs, and assistance for threatened workers.

Chapter 1

Worker Participation and the Sustainable Company

Anne-Marie Kortas

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1. Introduction

The motivation for this paper stems from the predominating influence of shareholders in today's companies and the search for an alternative model of corporate governance in which workers have a greater "voice". The increase in shareholder influence has been evident almost globally since the end of the 1970s when Milton Friedman and Michael Jensen/William Meckling published articles that influenced corporate governance. Offering a simple but coherent framework, the shareholder model of corporate governance has become hegemonic (Stout 2013).

This dominant model of corporate governance – also called shareholder value – is identifiable by a number of characteristics. First, the primary goal of a company operating according to this model is supposed to be to increase its market value and thus the wealth of its shareholders. It aims at increasing the share price continuously. Second, shareholders are expected to play a dominant role in corporate governance and are granted many decision-making rights. As it is believed that shareholders are the ultimate owners of the company, it is taken for granted that they should possess the final rights of

decision making and do not necessarily need to take other stakeholders into account in these decisions. Third, manager remuneration should be based, at least partly, on stocks and stock options, thereby directly linking the interests of managers and shareholders in increasing share price. It is a given that firms operate within a stock market which is assumed to be efficient due to competition between the shareholders. Keeping the goal of high share prices in mind, shareholders are asked to make use of the rapidly changing stock market by selling and buying frequently based on changes in information and the prospectuses of companies. This naturally attracts shareholders with a short-term focus. Last, social and environmental reporting is voluntary and the State is seen as responsible for making sustainability rules and goals (Vitols and Kluge 2011). To summarise, it can be said that the shareholder value ideology believes that a company is “owned” by its shareholders and serves the goal of increasing their wealth (Stout 2012).

The criticism of this model has been increasing recently, especially since the financial crisis. Authors from different backgrounds have expressed their concern with the shareholder value model (see Eisinger 2012; Nocera 2012). Indeed, the list of points of criticism is long. One point that is often mentioned is the short-term focus of managers, because the entire company is seen as a success if the share price is high in the short term. Going hand in hand with the previous point is the incentive for speculation on the part of managers due to the orientation of their remuneration in stocks and stock options. Managers’ remuneration is further viewed very critically, as it has been rising excessively in the past couple of decades

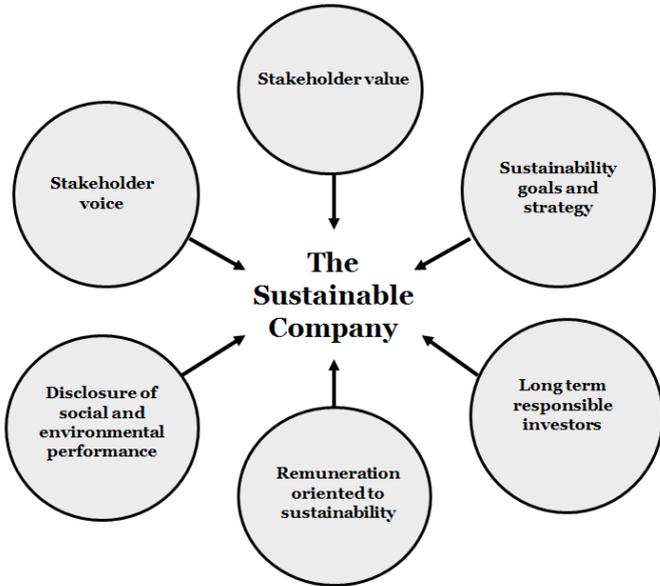
thereby driving up inequality. Nowadays, in many European companies the remuneration of a CEO will exceed the average salary of the workers by 100 times or more. Another important point of criticism is that there is a lack of focus on sustainability – not only is money invested with a short-term view, but companies are not obliged (nor incentivised) to act in a sustainable manner (Vitols and Kluge 2011).

2. An Alternative Model: The Sustainable Company

Considering the issues the shareholder model raises, it is desirable to consider other corporate governance models which offer a more sustainable perspective and the inclusion of key stakeholders such as workers. Sigurt Vitols and Norbert Kluge developed such a model with their *Sustainable Company* (2011). The Sustainable Company model contrasts with the shareholder value model in a number of dimensions. First of all, this alternative model aims at orienting policies towards **stakeholder value**, as opposed to being primarily oriented towards increasing shareholder value. Second, the Sustainable Company has an **explicit strategy and specific goals for improving sustainability**. Third, the Sustainable Company is dependent upon **long-term investors** concerned with sustainability, rather than investors interested in short-term speculative profits such as hedge funds. Fourth, a portion of management compensation should be based on the achievement of sustainability goals (**sustainability-oriented remuneration**) rather than on stock and stock options. Fifth, the Sustainable Company has a transparent and detailed **sustainability reporting system** which allows for the measurement of the

company's nonfinancial impact and progress towards achieving sustainability goals.

Figure 1: The Sustainable Company



Finally, key stakeholders – especially **workers** – **should have a voice in the governance** of the firm. The workers' voice is thus an essential conceptual part of The Sustainable Company. It can be implemented through a number of channels, such as Board Level Employee Representation (BLER), European Works Councils, collective bargaining agreements or worker representation at the plant level e.g. local trade unions or

works councils. The choice of channel depends on the culture in the company and the country.

Sustainability – in the sense of generating value for all stakeholders instead of only shareholders – is naturally the central guiding principle of The Sustainable Company. It is especially reflected in the focus on reporting, sustainability strategies, stakeholder involvement, and company goals aligned to sustainability strategies, but should be considered in all of the six dimensions. For a company to act in a truly sustainable manner, what it needs is not only the effort of the company itself, but also a supportive legislative framework and sustainability-friendly capital markets. Further, the people generally and workers specifically should be kept informed regularly about financial and nonfinancial data to enable them to understand the firms' goals and actions. Currently, too many large firms hide behind a web of sub-companies and of complex constructs of different legal forms.

There are two ways of explaining the importance of worker participation in a firm. The first reason to embrace this is the “political case” which sees worker participation as an industrial right. Thus, just as citizens can vote for their political representatives who decide on laws and policies, employees should also be able to elect representatives who influence or determine their working standards and conditions. It is frequently argued by employers that employees don't want more participation in workplace governance. Yet, studies have shown that this is a misconception and that workers do want more voice and power in the decision-making process (Freeman and Rogers 2006). The second case for more worker par-

ticipation is the “business case”. It is believed that for companies to be more innovative, competitive and to prosper they need to engage the intellectual and physical capital of their workers. Such a company is more likely to receive the support of its workers if they have a voice. Thus increasing worker participation allows a company to prosper economically (Gospel in: Vitols and Kluge 2011).

3. Measurement of Worker Participation

Having established the importance of worker participation, the next step to attaining a sustainable company is to measure the current reality. In recent years a number of measurements have been proposed to measure the strength of worker participation in Europe. Collecting this data is important for understanding the reality of firms and to decide which way to move forward when planning a strategy to strengthen worker participation.

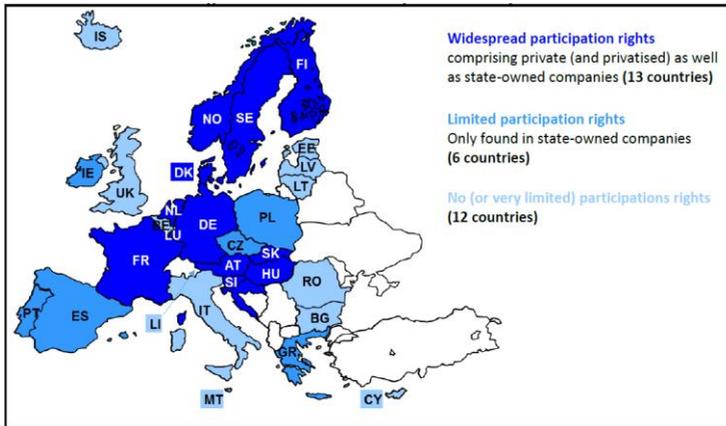
3.1. European Participation Index (EPI)

The European Participation Index was created by Norbert Kluge, Michael Stollt and Sigurt Vitols in 2009 and updated by Vitols in 2010. It allows for a cross-sectional analysis of worker participation across countries. The three dimensions of the EPI are 1) board level representation, 2) workplace representation and 3) collective bargaining participation. Each of them represents a different sphere of worker participation and together they provide an in-depth overview.

As the figure below shows, the European countries can be split into three categories depending on the strength of the

board level participation rights. The first group (the dark blue countries in Figure 2) comprises the countries with widespread participation rights – i.e., board level participation exists in both private and state-owned companies. In the second group in turn workers have limited rights, because these rights are limited to state-owned companies. There are also 12 countries where participation rights are non-existent or very limited. All in all, in 19 out of 31 countries, workers have at least some rights to board level employee representation (BLER). Yet the index also exemplifies the diversity of institutional structures. While in some countries, the proportion of BLER representatives is half of all the members, in other countries it only is one person. Furthermore, sometimes (e.g., Germany) seats are “reserved” for external Trade Unions and sometimes only employees of the company are allowed to sit on the board. These variations offer a variety of options for countries like Israel, when appropriate structures for BLER are being considered.

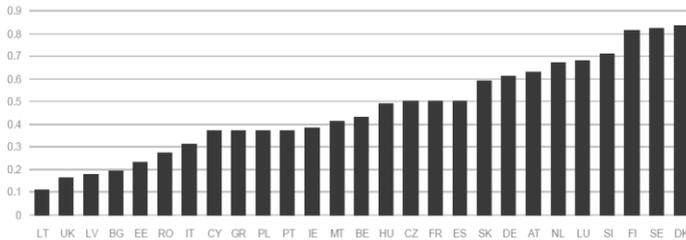
Figure 2: Board-level Participation in Europe



Source: Kluge/Stollt, updated by Conchon.

When combined with data on the other two components of the EPI – workplace representation and collective bargaining participation – it is possible to rank countries based on their overall level of worker participation. The graph (see Figure 3) shows that three Nordic Countries rank the highest among the European countries for which the EPI was calculated, with an EPI of over 0.8. The next group of countries is composed, for the most part, of what could be termed the Central European countries. It is interesting to see that these countries cluster in groups. But because their national contexts and histories are quite different, as are their political choices, and also because the structure of economic systems differ (e.g., variation in the average size of companies, weight of different sectors, and the size of the economies in general), there is quite a bit of variation in the EPI calculated.

Figure 3: EPI Ranking



Source: "Workplace representation" dimension based on own calculations based on raw data from Eurofound's 2009 European Company Survey. Other dimensions based on data from www.worker-participation.eu.

Source: *Benchmarking Working Europe, ETUC/ETUI 2011: 98.*

Statistical analysis shows that the group of countries with higher scores on the EPI performs better both economically and in terms of sustainability performance (e.g., the Europe 2020 goals) than the group of countries with lower scores on the EPI (see Table 1). The EPI researchers divided the EU countries up into two groups, each group accounting for about half of European GDP: the first group with higher scores on the EPI, the second group with lower scores. A comparison of these two groups shows that the group with stronger participation rights did better than the group with weaker participation rights on all of the main "headline" indicators for the economic, social and environmental goals the EU has adopted in its "2020" strategy (Vitols 2010).

Table 1: Comparative performance of countries with stronger vs. weaker worker participation rights on the Europe 2020 headline indicators

Europe 2020 Headline Indicator	Group 1: Countries with stronger participation rights	Group 2: Countries with weaker participation rights
Employment rate by gender, age group 20-64, 2009	72.1	67.4
Gross domestic expenditure on R&D (GERD), 2008	2.2	1.4
Greenhouse gas emissions (reduction in baseline between 2003-2008)	4.7	4.2
Share of renewables in gross final energy consumption, 2008	12.3	6.1
Energy intensity of the economy, 2008	171.2	181.7
Early leavers from education and training, 2009	14.0	16.1
Tertiary educational attainment by gender, age group 30-34, 2009	36.6	31.1
Population at risk of poverty or exclusion, 2008	19.1	25.4

Source: *Benchmarking Working Europe, ETUC/ETUI 2011: 98.*

3.2 Mitbestimmungsindex (MB-ix)

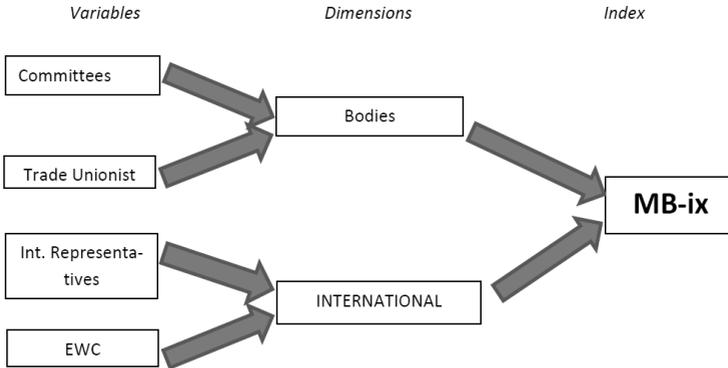
A second measurement is currently being developed and focuses on board-level representation in Germany with the goal of making a more differentiated and in-depth analysis of the German context. The idea is to look beyond the legal framework and to understand what drives participation within a firm. The MB-ix (participation index) is constructed according to the German institutional context, but represents a good example of what can be looked at for a more profound research study and can potentially be “universalised” and applied to other countries.

The latest calculations of the MB-ix include the 160 companies which were part of the DAX, MDAX, SDAX and TECDAX on 31st December 2006 or on 31st December 2012. The MB-ix comprises, in its current version, 6 dimensions, but is also being further developed with different combinations of variables. The first variable is the overall representation of employees on the supervisory board and is measured in four spheres according to the German codetermination laws. The second dimension analyses the representation of workers in the three main board committees (presidential, audit and personnel) with the highest value given to the companies where all three committees have an equal number of worker and shareholder representatives (parity representation). This sphere is important as many decisions are initiated in those committees. The third and fourth dimensions look at German individuals on the board, i.e., the ‘origins’ of the deputy chairperson and trade unions represented. The last two variables of the MB-ix take into consideration the emerging international dimension in worker participation by including a variable on the existence of international employee representatives on the board and a variable dealing with the presence of the European Works Council (EWC) in a company.

Through the statistical method of factor analysis, the variables were combined into two coherent dimensions according to an underlying relationship. During the analysis variables 1 and 4 were eliminated, as they do not explain anything new in comparison to the other 4 variables (extreme high correlation). In the end, two dimensions were extrapolated: (1) **presence of employees in the bodies of the board** and (2) **international**

dimension of codetermination. Figure 4 shows conceptually, how the four variables construct the dimensions.

Figure 4: Factor analysis method and MB-ix



Out of the 160 companies in 2012, sixty had a score of 0 on the MB-ix, while the *E.ON* and *MAN* companies had the highest scores with 1.607. When comparing the 111 firms which were present in 2006 and 2012, a positive increase of the MB-ix could be identified. One reason is that there were two more companies with equal representation of workers and shareholders (parity representation), but there has also been an increase on the international sphere, as new EWCs were created and more international representatives were present in 2012 in comparison to 2006. Lastly, parity representation of workers on board committees has also increased. For a more detailed look at the changes between 2006 and 2012, see Table 2.

Table 2: Comparison of Codetermination strength before and after beginning of Financial Crisis

Per cent of Companies with the following characteristics	2006	2012	Difference 2006-2012	P-Value
Equally codetermined boards	52.25% (0.501)	54.05% (0.500)	0.018	0.3195
None-DGB Tradeunionist	3.60% (0.187)	4.50% (0.208)	0.009	0.5661
Equally codetermined committees	38.73% (0.489)	44.14% (0.498)	0.063*	0.0518
International employee representatives present	1.80% (0.133)	9.00% (0.287)	0.072**	0.0042
Internal employee representatives as deputy chairperson	36.03% (0.482)	34.23% (0.476)	0.018	0.5295
External employee representatives as deputy chairperson	16.21% (0.370)	21.62% (0.413)	0.054*	0.0136
EWC present	30.63% (0.463)	34.23% (0.476)	0.054*	0.0136
MB-ix (Mean)	0.522 (0.505)	0.593 (0.537)	0.072**	0.0043
Number of Firms	111	111		
*** p<0.01, ** p<0.05, * p<0.1 st. deviation in parenthesis				

The MB-ix not only serves to illustrate the German context, but also to relate worker participation to the sustainability of the company. Through preliminary tests it could be shown that worker participation is part of a Sustainable Company, because companies with strong worker participation also showed better results throughout different spheres of the ratings done by ASSET4, a leading sustainability ratings agency. ASSET4 possesses data on over 4000 companies and offers information about more than 500 individual data points (Thomson Reuters 2014). Their data on environmental, social and governance issues is clustered into category scores which were used in this analysis. According to information availability, regressions were run with 77 companies showing statisti-

cally significant positive correlation to the MB-ix in the majority of category scores. It should be noted that this correlation should not imply causality, as the method used does not allow one to draw conclusions about the direction of causality.

Table 3 shows the results for all the category scores and stronger worker participation is especially correlated to higher environmental scores. As such, a company with a higher MB-ix on average has a score 21 points higher on a scale of emissions reduction from 0-100 than a company with a lower MB-ix. This result is statistically significant at a 99% interval, thus being a very important indicator of a positive influence on worker participation. There also seems to be a positive relationship between higher worker participation and the social performance of the firm. All of the social category scores show a positive correlation and many are statistically significant. However, worker participation in large German companies seems to have rather a negative or ambiguous relationship with most of the Corporate Governance Indicators. This can be explained by the Anglo-Saxon origin of these scores. This means that a company would get higher scores by establishing a separate Corporate Social Responsibility (CSR) committee – however in the German context, as the employee representatives often fulfil the same tasks as members of a CSR committee would do, the creation of such a committee is redundant. For the future it would be very interesting to see how this positive relationship between worker participation and sustainability develops if more companies are included or other indicators are used.

Table 3: Relationship between MB-ix and ASSET4-Sustainability Ratings

Asset4 Variables	Regression results	Categories
Emission Reduction	21.18***	Environment
Product Innovation	17.35***	Environment
Integrated Vision & Strategy	16.15***	Corporate Governance
Reduction of Resources	14.50**	Environment
Diversity & Opportunity	13.43**	Social
Human Rights	12.29*	Social
Training & Development	10.14*	Social
Work Quality	8.854	Social
Health & Security	7.461	Social
Product Responsibility	6.515	Social
Shareholders rights	1.666	Corporate Governance
Community Engagement	0.778	Social
Compensation Policies	-0.411	Corporate Governance
Board Structure	-3.506	Corporate Governance
Board Function	-7.345*	Corporate Governance
		N=77

Source: Authors' Calculations.

To give an example of the distributions of the 77 companies analysed, Figure 5 shows how the companies behave on the category score “Resource Reduction”. The companies could score between 0 and 1.5 on the MB-ix and between 0 and 100 on Resource Reduction according to the Asset4 rating. There are a number of observations which can be made based on the graph. Firstly, the upwards slope of the blue line exemplifies how stronger worker participation is, on average, positively

correlated with a better result in the Asset4 resource reduction score. Secondly, many companies cluster above the Asset4 scores of 65, meaning that, on average, companies have quite a good score. However, in line with the first observation more companies are in the upper right quadrant than in the lower right one and, apart from some exceptions, the upper left quadrant is nearly empty. This again strengthens the notion that there is a positive correlation. Lastly, what the graph shows is that some companies, such as Axel Springer have an MB-ix of 0, but an asset4 score of around 90. This means that receiving a good Asset4 score does not depend solely on strong worker participation, but stronger worker participation is on average related to better scores. Worker participation is thus not a condition for sustainability, but definitely a supporting factor.

EPI and MB-ix were further looked at, thereby offering an insight into the current reality of worker participation in Europe and Germany. They are an important tool for benchmarking and for finding starting points for new policies.

Different empirical research furthermore underlines the theoretical relationship between worker participation and sustainability. On the basis of various sustainability indicators, it was shown how stronger worker participation is strongly correlated with higher sustainability. This proactive way of demonstrating evidence for the strengthening of worker participation is a new result, because beforehand it was more common simply to assert that worker participation did not have a negative influence on economic performance. Supporting the results of previous studies, negative impacts on the company were not found; however proof now exists for its positive influence. This research is only a first step and with more studies like the ones under scrutiny a better picture of the actual relationship between worker participation and sustainability will become apparent. Yet, what is already certain is that worker participation is an essential part of a sustainable company. Not only is it desired by the workers, but it improves the working climate and significantly increases the sustainability of the company.

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Chapter 2

Worker Participation as a Sound Element in Corporate Governance

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Introduction

Corporate Governance refers to processes and relations by which corporations are directed, distribute rights and responsibilities between their stake-holders and participants, and apply procedures for decision-making in corporate matters, as a means to increase business sustainability. The awakening interest in Corporate Governance and its place in corporate sustainability in the last few years was prompted by the business- and finance-sector crisis of 2008 and arose in response to the restructuring pressures from these sectors stemming from new regulatory demands (ISA 2006). Although the main participants in Corporate Governance discourse and framing are biased toward business interests, there are some other voices trying to influence this field of knowledge and practice by adding other values and variables to the concept (ibid., Lund 2004). Recently, some researchers and civil society leaders (such as trade union personnel, labour rights activists, etc.) have been making efforts toward expanding the discourse about business sustainability and Corporate Governance, in order to include some other issues in corporate life and governance, such as corporate social responsibility (CSR), corporate social obligations, worker participation and codetermination (Lund 2004; Conchon 2013).

Increasingly, critics of Corporate Governance point at corporations' need to decentralise their governance processes and responsibility in order to strengthen the corporations' ability to face and overcome financial crises, and, among other things, to increase worker participation in governing structures of the corporation (Conchon 2013). Although the importance of and the premiums derived from expanding workers' participation institutions in Corporate Governance have been recognised (Ashkenazy 1991; Hansman 1993), there are only a few research studies dealing with their existence and value for the corporation, for the workers and for society as a whole (Conchon 2013). In order to address this gap in the literature, this paper will review some existing forms and institutions of worker participation and codetermination and will articulate ways of increasing worker participation in Corporate Governance in Israel, surveying the past, present and expected future.

Business Sustainability and Corporate Governance in a Neo-Liberal Era

Renewed utilisation of the concept of Corporate Governance and its central role in public discourse during the last few years derives from unfortunate circumstances; in the first place, the financial market crisis that did not leave even the most advanced and regulated markets in the world (ISA 2006) untouched. Corporate Governance principles are a collection of rules and standards defining the proper ways of managing public (and also private) firms, including aspects of supervision and regulation. These principles do not replace state laws and official policies but constitute an extra level of the obligatory statutes (ibid.). In the face of the globalisation of finan-

cial markets and the many risks associated with it for corporate stakeholders, there is growing importance to adhering to these voluntary principles so as to expand certainty and visibility for the various corporate stakeholders – investors, owners, workers, and the corporate social environment (ISA 2006; Conchon 2013). Today there is wide acceptance of the importance of participation mechanisms in decision-making processes as a sound pillar of corporate governance. Different types of participation enable diverse stakeholders – inside the corporation and in its environment – to express their needs, interests and insights about the best corporate activity to adopt (Bennet and Kaufmann 2004; Conchon 2013; Freeman and Medoff 1984).

Several works dealing with participation processes, as a part of Corporate Governance structuring, in Israel and in other western democracies, indicate a positive relationship between them and the success of business sustainability (Conchon 2013; Ferner and Hyman 1998). For example, research demonstrates that structural change in corporations produces better results when involving workers' representatives (Freeman and Medoff 1984). The same goes for involving civil society institutions in designing corporate social and environmental policy; this expands corporate legitimacy and improves its ability to recruit surrounding resources for its own needs, development and future success (Kalev 1998).

To sum up, the concept of Corporate Governance, and the academic and professional debate around its changing meanings are key elements in current thinking about business sustainability. But while corporations are seeking to establish an

autonomous system of laws and regulations throughout their realm, they must consider other stakeholders in their environment and under their rule – first and foremost the workers of the corporation and their interests. As a means to increase business legitimacy, corporations tend to share their visions and future directions with workers and their representatives, through different mechanisms – the strongest and most dominant of these is Collective Bargaining. Collective bargaining shares with Corporate Governance the essence of autonomous regulation and the comprehension of worker participation as a sound element in business sustainability (Edwards 2001; Fridenson 2001). Despite its similarity and centrality to business life and corporate autonomy, the structure of collective bargaining is losing its social power and legitimacy in the business field, and is giving place to other, less democratic mechanisms, that re-write autonomous Corporate Governance foundations. At this point I would like to realign the important division between Corporate Governance systems of autonomous ruling to the domain of industrial relations as the best means to achieve worker participation in the realm of business.

Worker Participation and Industrial Relations

Collective bargaining developed with the replacement of the struggle between labour and capital in Western democracies by the corporatist structure of cooperation (in its different forms), and brought with it the regulation of industrial relations both at local and national levels (Ferner and Hyman 1998; Freeman and Medoff 1984; Fridenson 2001). With its assimilation in the production process, collective bargaining

started to include issues like workplace security, corporate decision-making regulation, quality of life in the workplace, etc. As the economic system continued to change, the corporations' need for autonomous regulatory systems and thus cooperation with their workers, expanded (Ferner and Hyman 1998; Fridenson 2001). These needs fell upon the fertile soil on which modern industrial relations and collective bargaining developed (Edwards 2001; Fridenson 2001). This is the stage at which it is relevant to review the Israeli experience with structures of worker participation in corporate governance – its evolution and its main shortcomings – and its resolution in the low level of worker participation in Israeli Corporate Governance. Thereafter, some preliminary recommendations will be presented for amelioration of worker participation and for improving the codetermination in the structuring of Israeli Corporate Governance.

Worker Participation in Israel – A Brief History

One cannot deal with worker participation in Israel outside of trade union context, which was the pre-State foundation for State structures and institutions, and which formed Israeli industrial relations out of a tripartite compromise between labour, capital and the state. The main trade union federation in Israel – "HaHistadrut Haklalit Shel HaOvdim HaLvriyim BeEretz Israel" (the General Federation of Hebrew workers in Israel, hereafter the Histadrut) – was founded in 1920 with the objective of securing workers' viability in Israel/Palestine. The Histadrut operated as a semi-state organisation, while building an enormous institutional structure for provision of basic services for Jewish workers who came here during the

pre-State decades: healthcare (through Kupat Holim Klalit), education, culture, security, etc. (Grinberg 1996; Shapiro 1975). In addition, the Histadrut operated as a general trade union which negotiated wage moderation for the maximisation of employment, most of the time for the national and political interests of the Histadrut itself (Grinberg 1996). Based on the Histadrut's multi-institutional structure the State of Israel was founded. As it was the central (and the biggest) trade union in Israel – during the pre-statehood era of Jewish settlement and in the State of Israel – and due to its ownership of many social services (such as major health and finance corporations), the Histadrut was recognised as the monopolistic trade union federation which represented most of Israeli workers. It should be noted that the Histadrut was also one of the largest employers in Israel, through its multi-faceted corporation, Hevrat HaOvdim (the workers' corporation) (Barzilai 1996; Grinberg 1996; Ramon 1995).

After the establishment of the State of Israel, the social partners (the Histadrut and its "counter" monopolistic employers' association, Hitachdut HaTaasiyanim, the industrialists' association) began promoting worker participation initiatives. These initiatives were based on two main interests:

- The first – the Israeli market and State's acute need for increasing work productivity in a period of extreme economic austerity during the 1950s, by creating "Production Councils" in private- and public-owned corporations (Kalev 1998).
- The second – reducing worker-management conflicts by strengthening the communal foundations of the working process, through "Shared Management Plans" (ibid.).

Together with the industrialists' association, the Histadrut pushed for creating general all-market collective agreements. As a part of this process, and in light of the State's demand to enhance productivity, the social partners started implementing worker participation institutions with the aim of improving work efficiency (ibid.). The main mechanism employed was a collective agreement, signed in 1952, that determined the establishment and functions of workplace Production Councils. These Production Councils were parity institutions – for workers and management – inside the corporation, which had consultative authority in many aspects of the corporation's activity and governance (ibid.).

Many scholars examining the Production Councils' activity show that despite wide and far-reaching goals – for establishing worker participation throughout different spheres of the corporations– they focused mainly on trade union issues, such as, wages, compensation, and, in some cases, even on actual manufacturing processes, but without dealing with any other workplace aspects (Ashkenazy 1991; Galin and Harel 1978; Kaley 1998; Porter 1990; Vakshtein 1992). Thus, instead of creating a platform for constructive and facilitating cooperation between workers and management, discussions in the Production Councils became another dimension in the collective negotiation process and a source of more discourse on labour wages. By codetermining work "norms" and "premiums" (for working and production beyond the fixed norms), the Production Councils developed as an institution for expanding workers' benefits allegedly in order to increase labour productivity (Kaley 1998). The norms and the premiums that were codetermined for a specific production process lost their

relevance a decade or two later, because of radical (and understandable) process changes. But as a consequence of the parity structure of Production Councils – changes in norms and premiums could not be made without both sides' agreement – old and ineffective remuneration methods became fixed. In this situation both sides of the Production Council – workers and management – lost their ability to advance constructive discourse for the benefit of the corporation and its sustainability (ibid.).

Studies that dealt with the influence of Production Councils on work processes' effectiveness and on the corporation's economic sustainability show positive links between these variables (Ashkenazy 1991; Porter 1990). But with the changing industrial relations structure and customs (in the first place, decentralisation and fading of centralist collective agreements from large parts of the business sector), these findings did not get enough attention. Besides structural changes, labour market consciousness changed over the years, with the strengthening of neo-liberal ideologies and new management methods (Frenkel 2005, 2008; Shenhav 1995). These changes – of structure and consciousness – in the Israeli labour market increased the employers' lack of trust in codetermination, and specifically, in Production Councils' abilities to cope with markets' need for dynamism and effectiveness. Thus the councils' penetration in the labour market declined (Kalev 1998).

Aside from Production Councils – that were the central platform of codetermination and worker participation in Israel – it

is necessary to mention three other legal arrangements and their (partial) functioning:

- The Government Companies Act, 1975,¹ gave the Minister of Finance the possibility and power to add a workers' representative to a company's directorate. Despite its unpretentiousness in relation to worker participation and codetermination, this specific clause in the law was seldom used.
- The Acquisition of Factories by Workers Act, 1987,² was enacted during an extreme economic crisis in Israel in order to minimise workers' damages during corporate insolvency. Unfortunately this act achieved very little for codetermination and workers' participation, because not a single company was purchased by its workers through that act.
- The Organisation of Labour Supervision Act, 1954,³ enables and enforces worker participation by requiring parity safety committees in work places. Although this law allows for full management-worker partnership in safety issues, it is limited to unionised work places, and thus applies to roughly 20% of workers in Israel today.⁴

¹ The Governmental Companies Act, 1975 (Hebrew) - http://www.knesset.gov.il/review/data/heb/law/kns8_govtcorp.pdf

² The Acquisition of Factories by Workers Act, 1987 (Hebrew) - <http://www.moit.gov.il/NR/exeres/50953246-D082-4FB9-B443-2E671DA621DB.htm>

³ The Organisation of Labour Supervision Act, 1954 (Hebrew) - <http://www.moital.gov.il/NR/exeres/4AE5E518-A2C3-4286-9194-20F075CE0948.htm>

⁴ CBS Report on Organised Labour in Israel (Hebrew) - http://www.cbs.gov.il/reader/?MIval=cw_usr_view_SHTML&ID=975

Recommendations

Previous research on worker participation and codetermination mechanisms in Israel points to the strength of social partners in their establishment and functions. That is the reason for my recommendations to concentrate on ways to strengthen workers' participation in Corporate Governance through collective industrial relations. Despite the Production Councils' effectiveness in improving productivity and their popularity in the first years of their activity, this mechanism's malfunctions – particularly in wage issues – caused its decline as a central factor in designing Corporate Governance in Israel. With a view to strengthening Corporate Governance and sustainability in a neo-liberal era, I would like to stress, in the following section of this paper, some new paths for the Production Councils' activity, in a way that will increase employers' confidence in worker participation and in codetermination. My recommendations will thus suggest a reform in the Israeli industrial relations system. This reform will strengthen the trust and partnership between the different stakeholders in the corporation by separating the authority between unions and workers' representatives in the work place.

First of all, in order to facilitate the restoration of workplace trust and cooperation, wage negotiation must transcend the company level. For that to happen, the social partners need to revive central wage negotiation – at the national and industrial levels that faded in Israel during the 1970s and 1980s – while reaching an agreement about allocation of different, local issues to company level codetermination. As used to happen in Israel's business sector during the 1960s and 1970s, and as the

customary practice is today in the public sector and in other OECD countries, wage negotiations should take place every 2-3 years, in accordance with the rise in labour productivity and in the cost of living. This step will facilitate the establishment of nation-wide, sector-wide and industry-wide wage policies that will coordinate sub-levels of negotiation. After leaving wage negotiation to central bodies of the social partners, and while lowering pressure for wage increases that today rest on workers' representatives, company level partners will be left to deal with other aspects of industrial relations, such as social security mechanisms, welfare initiatives, work processes, etc.

In order to establish meaningful and effective company level cooperation between workers and management it is necessary to strengthen the status of Production Councils, as separate from the trade unions and their activity. That kind of institutional foundation exists in some OECD countries like Germany, Sweden, Denmark, and Holland in the form of national collective agreements or legislation. In Germany, "Workers' Councils" are an outcome of central legislation and give expression to the widespread custom of worker participation in Corporate Governance through tight relationships between workers and management on various subjects (besides wages) (Jacobi et al. 1998). In Sweden and Denmark "Workers' Committees" are mandatory in accordance with a nation-wide collective agreement and constitute a part of the trade unions. The workers' committees – which play a crucial role in the democratic structure of industrial relations in these countries – deal with implementation and enforcement of industry-wide collective agreements, and are not allowed to negotiate on

wages (Kjellberg 1998, 2006; Scheuer 1998). Besides Workers' Committees and Workers' Councils, these countries require workers' participation in company directorates, as a part of codetermination laws or accords (Ferner and Hyman 1998).

In line with the Israeli tradition and legal structure, it is not advisable to implement these models through legislation. On the contrary, it is necessary to update the general collective agreement about Production Councils (that have not been updated since 1979⁵), and expand it to apply *erga omnes*. These steps will create a new foundation for establishing (or re-establishing) Production Councils in large parts of the labour market – in industry and services alike – through both the affiliates of the social partners and the unaffiliated.

In the domain of Production Councils, it is necessary to act on two levels:

First, the tasks assigned to Production Councils must be expanded, by giving some of the authorities, that are traditionally given to trade unions, to the Production Councils. For example, the issue of structural change of corporations (the negotiating authorities which are reserved for representative trade unions⁶) can be transferred to the joint discussion in the Production Council. Other functions that can be moved include the implementation of the "Sexual Harassment Prevention Act",⁷ promoting diversified employment (such as minorities' and handicapped employment), advancing gender equality

⁵ See Pasternak and Vyntraub 1995.

⁶ Israel High Court 811\96; Israel National Labour Court (DBA) 41\96-97.

⁷ The Prevention of Sexual Harassment Act, 1988 -

http://www.nevo.co.il/law_html/Law01/245_001.htm

ty, etc. All of these are important parameters in Corporate Governance and have a connection to corporate sustainability and growth. Allocating these subjects to the Production Councils will facilitate mutual discussions, planning and co-execution of processes at the company level.

Besides expanding Production Councils' authorities to management and supervision domains inside the corporation, it is necessary to annul their wage-negotiating functions in order to rebuild management and workers' trust in the Production Council. That measure will enable them to act without the permanent concern about increasing expenses and wage increases that accompanies every discussion on workers' participation and codetermination in Israel.

Second, the Production Councils' structure must change, in a manner that will repeal their closed parity structure and will enable the participation of new institutions:

- Non-parliamentary organisations must participate in central issues discussed in the Production Council. Academics, environmental organisations, local organisations that specialise in social and economic sustainability should take part in the councils' discussions on the basis of consulting experts.
- External representatives, such as delegates of the social partners should participate as equal members in the council's day-to-day work. These external representatives' right to vote will facilitate the solution of conflicts that naturally arise between workers and management, in the best interests of the corporation's sustainability and governance.

As previous research on worker participation and codetermination demonstrates, there is a significant premium for enhancing participation of workers (as of other stakeholders) in designing Corporate Governance and executing business decisions (Porter 1990). But as I have described in this paper, the Israeli institutional legacy (Grinberg 1993) associates a negative meaning to cooperation processes between workers and management (Kalev 1998). Overcoming this long-standing institutional legacy requires a vast investment of resources and mainly the willingness of both sides of the social partnership – at the upper and the lower levels – to enter a complex process of change. The considerable weight of Israeli institutional legacy also demands, beside a large amount of trust and resources (human and material) the participation of external authorities that will help in initiating and handling the process. The social partners will have to let external experts participate in the process of re-designing Corporate Governance and rebuilding codetermination institutions in the Israeli labour market.

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Chapter 3

The Role of Social Dialogue in Anticipating and Managing Structural Change for the Benefit of the Workforce and the Business: The European Context and Two Practical Examples

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Wilke, Maack und Partner | wmp consult

Preface and Outline

The purpose of this paper is to present a rather concise overview of major drivers and trends of restructuring in the European Union as well as to present practical cases of anticipating change and managing restructuring in a way that benefits workers and their jobs as well as employers and the business. This focus of the paper was developed with a view to facilitating debate in the context of the joint project of the Hans-Böckler-Foundation and the Macro Center on the future of social dialogue and worker participation in Israel.

While a first draft of this paper was presented at the workshop in Tel Aviv in October 2014, this final version has been adjusted and expanded to take account of the results of the discussion and exchange with researchers and practitioners at the workshop. The revision of the paper and the final structure of contents were driven by the following motivations and interests:

First, to explain in more detail the current challenges Europe, and in particular the European labour market, is facing in the context of still struggling with the crisis and managing restructuring (part 1).

Second, to provide an overview for non-European researchers and social partners about the role of social dialogue and the normative orientation of employee participation within the European policy context on the one hand (part 2) and the large diversity of industrial relations frameworks, traditions and differences within the 28 European member states (part 3).

A *third* motivation and interest was particularly driven by the broader objective of the HBS-Macro project and further research activities that may follow in the future: Linking the paper with the analytical as well as the normative concept of the ‘Sustainable Company’ that is characterised by ‘built-in’ mechanisms of strong employee organisation, involvement and multi-level dialogue and negotiation processes between workers and employers. This in particular is illustrated by the two company examples in the final part of this paper. Both examples illustrate that successfully managing challenges related to structural changes within our economies, rebuilding and fostering competitiveness in a more and more globalised world not only are compatible with a strong element of worker participation and involvement but the latter should even be regarded as a certain prerequisite for the sustainability of managing change and implementing restructuring processes.

Based on this, the paper may also contribute or even serve as the basis for further joint research activities of researchers from Germany and Israel on the topic of successful approach-

es of managing and implementing change and restructuring processes at company level and key framework conditions concerning industrial relations, collective bargaining and employer-employee relations.

1. Crisis, Anticipation of Change and Restructuring and the Role of Social Dialogue – The EU Context

1.1. Restructuring is currently not the main concern in the European Union

The evolution of what is today the European Union (EU) from a regional economic agreement among six neighbouring states in 1951 to today's hybrid intergovernmental and supranational organisation of 28 countries across the European continent with more than 500 million inhabitants stands as an unprecedented phenomenon in the annals of history.

Although the EU is not a federation in the strict sense, it is far more than just a free-trade association, and it has certain attributes associated with independent nations: Its own flag, currency (for some members), and law-making abilities, as well as diplomatic representation and a common foreign and security policy in its dealings with external partners. Basic common values and political as well as economic and social aims of the European Union are laid down in the Treaty of Lisbon that entered into force on 1st December 2009.

Common values and aims of the European Union

The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. (...) It shall promote scientific and technological advance. It shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child. It shall promote economic, social and territorial cohesion, and solidarity among Member States.

Source: Treaty of Lisbon, Art. 3.3

Some basic figures on the European Union:

- The EU has the world's third largest population after China and India.
- With just 7% of the world's population, the EU's trade with the rest of the world accounts for around 20% of global exports and imports.
- The EU is the world's biggest exporter and the second biggest importer. In 2005, the EU accounted for 18.1% of world exports and 18.9% of imports. While around two-thirds of EU countries' total trade is done with other EU countries, the United States is the EU's most important trading partner, followed by China.
- The internal differences in per capita GDP income among EU member states are huge varying from €4,700 in Bulgaria to €75,700 in Luxembourg (2009 figures, PPS).

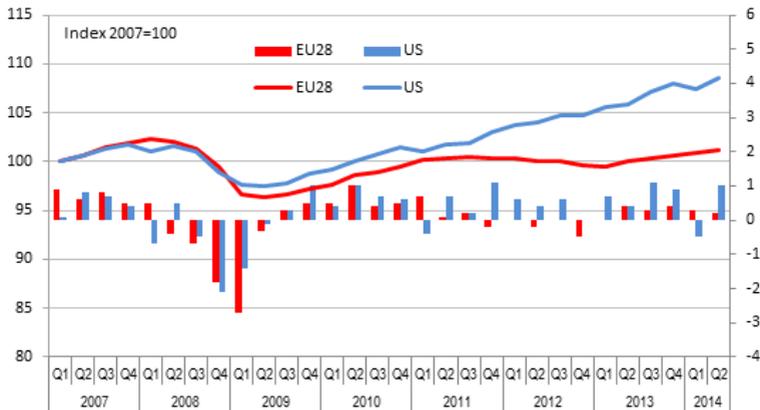
Before the global financial and economic crisis struck the European economy, the EU recorded economic development with real growth in gross domestic product (GDP) averaging an annual increase of 2.4 per cent between 2002 and 2007, nearly as high as the US average of 2.6 per cent. However, the

annual GDP growth in the euro area monetary zone was only 1.9 per cent between 2002 and 2007.

The economic slump that occurred in 2008 and 2009 hit the EU economy harder than the US economy. While the EU and US growth rate narrowed in 2010, the situation changed quite dramatically due to the sovereign debt and euro crisis in the EU from 2010 onwards. The deep slump that the euro area in particular experienced in 2011 and 2012 resulted in an increased gap when compared to the US economy.

A growing divergence is emerging between the major world economies. Whilst the solid recovery continues in the United States, growth has remained subdued in the EU, particularly in the euro area. Europe is still failing to make significant progress in closing the economic divide with the US.

Figure 1: GDP in the EU and the US (2007=100, left scale) and % changes over the previous quarter (right scale)



Source: Eurostat, EU Commission 2014: EU employment and social situation. Quarterly Report, September 2014.

The growing divergence between the EU and other world regions and countries such as the US or Japan is reflected particularly strongly in labour market trends. In August 2014, the EU unemployment rate was 10.1% and 12% in the euro area, whereas the US unemployment rate was down to 6.2% in July 2014, down from 7.3% in July 2013.

The overall picture of unemployment in the EU is one of severe deterioration since 2008, with a short-lived reduction in the year to mid-2011 and a further worsening since then. The number of unemployed in the EU has again risen in recent months, hitting a new historic high of 26.9 million in September 2013 and a slight reduction to 26.2 million in January 2014. The crisis has, since the spring of 2008, created some 10.5 million additional unemployed in the EU, among whom around 4 million people left the labour market as a result of the second dip recession during the last four years (EU Commission 2013b, p. 36.).

According to the EU Commission (EU Commission 2014, p. 11) the current-account adjustments achieved so far in the European Union were largely due to reduction of domestic demand that also resulted from extremely high levels of unemployment. In January 2014, the total number of the unemployed in the EU stood at 26.2 million (seasonally adjusted) corresponding to a rate of 12%.

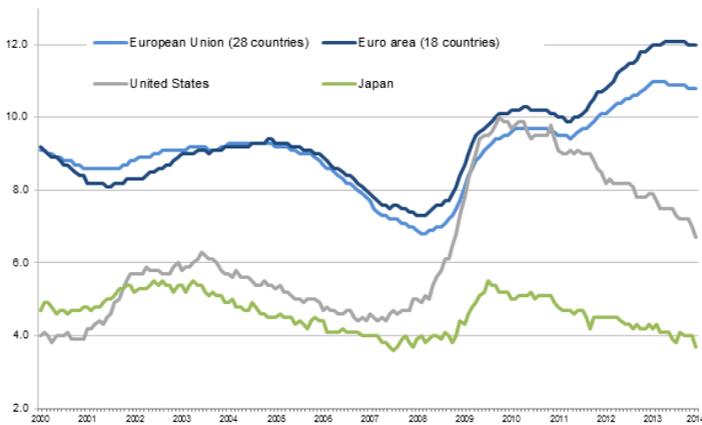
After the unemployment rate decreased by over 2 percentage points between 2003 and 2008, the financial and economic crisis of 2008 and the double-dip recession in the EU have caused a severe deterioration in the labour market situation. Since the start of the economic and financial crisis in 2008,

the number of jobs lost now totals 5 million, 4 million of which were lost in the euro area alone.

Since 2008 (annual figure), the seasonally adjusted unemployment rate in the EU-28 has increased from 7.1% to 12% in January 2014. It should be noted here that the unemployment rate of the now 18 (Latvia joined the euro as of January 2014) Eurozone member states at 12% is higher than the EU-28 average (10.8%).

During the last decade and in particular in the aftermath of the euro crisis, the gap between the EU and the US and Japan in regard to the unemployment rate has widened and in January 2014 was double that of the US (6.6%) and more than three-fold when compared to Japan (3.7%).

Figure 2: Unemployment rates EU-28, EA-17, US and Japan, seasonally adjusted, January 2000 - January 2014 (as percentage of the labour force, seasonally adjusted)



Source: Eurostat, extracted March 2014.

Though there were always significant differences in the labour market performance within the EU, the effects of the double-dip recession after 2007 accelerated uneven employment development. Labour market outcomes in the north and centre of the EU have been considerably better than those in the south and periphery. In January 2014, the lowest unemployment rates were recorded in Austria (4.9 %), Germany (5.0 %) and Luxembourg (6.1 %) while the highest rates were in Greece (28%) and Spain (25.8 %).

Since March 2008, the unemployment rate has increased in all EU countries except in Germany with the biggest increases reported in Greece (nearly 20 percentage points) and Spain (17 percentage points). Comparatively stable labour markets apart from Germany were Austria, Malta, Luxembourg, Romania as well as Finland and Belgium that reported unemployment increases of less than 2 percentage points between 2008 and 2014.

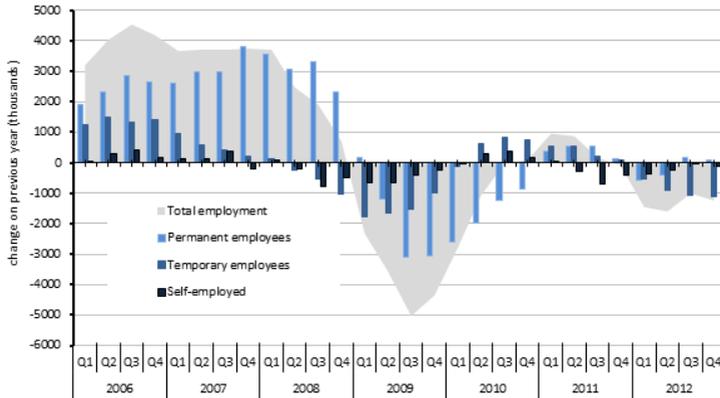
While youth unemployment generally was much higher in the EU than unemployment rates for all age groups (until the end of 2008, the youth unemployment rate was around twice as high as the rate for the total population), the economic crisis, has hit the young in Europe particularly hard. From the beginning of 2009, the gap between the youth and the total unemployment rates has increased, so that at the end of 2012 the youth unemployment rate was 2.6 times the total rate. Whereas before 2008, the EU-27 youth unemployment rate was consistently higher than in the Eurozone, the two rates converged until the end of 2010 and, since then, youth unemployment in the Eurozone countries has increased more sharply than in the

EU-27/28. In January 2014, the youth unemployment rate in the Eurozone was 24.0% against 23.4% in the EU-28 – of the 5.5 million young people under 25 that were unemployed in the EU in 2014, 3.5 million were in the Eurozone countries.

The differences in youth unemployment across countries are much wider than in the case of unemployment in general: The lowest rates were observed (as of January 2014) in Germany (7.6 %), Austria (10.5 %) and the Netherlands (11.1 %), and the highest in Greece (59.0 % in November 2013), Spain (54.6 %), and Croatia (49.8 %, third quarter 2013).

Despite the fact that the overwhelming majority of employees in the European Union are working on the basis of a full-time contract (80%, in 2012, slightly less in the Eurozone) with an open-ended duration (86.3%), the issue of labour market segmentation and the rise of dual labour markets with a growing number of people (in particular women, younger employees, migrants) in contractual employment relationships that are characterised by poor employment security, low pay and social security as well as poor opportunities to move upwards and make transitions “that pay” in the labour market are a growing concern of policymakers and social partners in Europe. Beneath the surface of this overall deterioration of employment prospects in Europe, the 2008 crisis also has brought a number of employment trends to light and has affected different groups of employed persons quite differently as the following figure illustrates.

Figure 3: Effects of the crisis on different forms of employment



Source: EU Commission 2013b, p. 39.

The first downturn in 2008 and 2009 resulted in a massive loss of permanent jobs, even if people in temporary employment were the first to lose their jobs.

During the timid recovery in 2010 and the first part of 2011, continuing business uncertainty fostered hiring by temporary contracts (accompanied by an increase in self-employment) instead of permanent ones which then were subsequently discontinued during the second downturn in 2012, when temporary employment accounted for much of the drop in employment that took place since then.

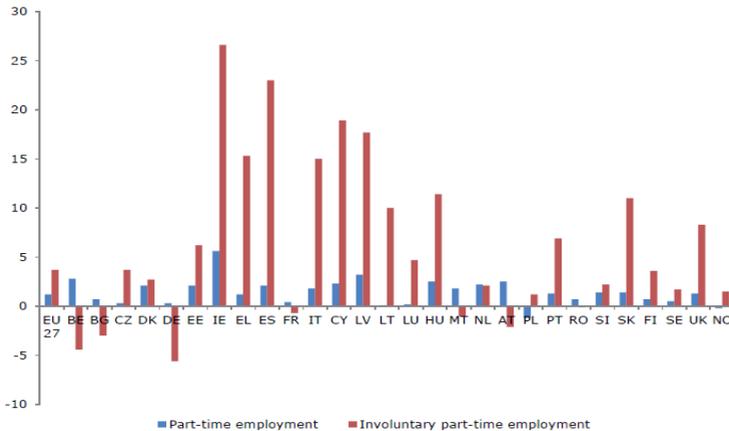
The crisis has also made evident the link between different groups in the labour market and different contractual arrangements, most dramatically regarding young people: Whereas in the total working population the share of temporary employment was around 14% in 2013 on average, the

share of temporary employment amongst young employees was 44% for those aged 15-24.

At the same time, youth as well as female employment is also characterised by high shares of part-time employment, measuring around 32% at the beginning of 2013 while the overall average stood only at around 20% in the EU-28.

Further aspects that have caused concern are also a rapidly increasing share of involuntary fixed-term work in Europe. While in 2012 according to EU LFS data the EU average of those who would like to work full-time but have not found suitable jobs stood at 60%, the differences between countries are huge, ranging from around 9% in Austria to more than 90% in Spain. Involuntary temporary employment increased in all EU member states apart from Austria, Estonia, Belgium, Germany and Lithuania.

Figure 4: Trends in part-time and involuntary part-time employment during the crisis



Source: Eurofound 2014: *Impact of the crisis on industrial relations and working conditions in Europe*.

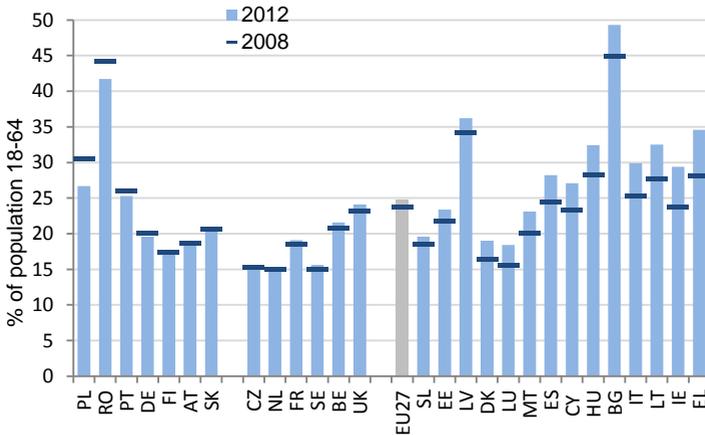
Note: *Part-time employment = change in percentage of people employed in part-time employment between 2007 and 2011. Involuntary part-time employment = change (2007–2011) in percentage of people employed in part-time employment who were in part-time employment because ‘they could not find full-time employment’.*

Against the background of the worrying trends in the labour market, the EU since 2008 has experienced an increase in the overall share of those citizens at risk of poverty and the social exclusion rate increased significantly, with differences between member states also growing.

Between the beginning of the crisis in 2008 and 2012 the number of Europeans at risk of poverty or social exclusion has increased by a worrying 8.7 million, now affecting around one quarter of the population. This means that the Europe 2020 strategic objective of lifting at least 20 million people out of the risk of poverty and social exclusion has become a very distant target.

The proportion of people at risk of poverty or social exclusion has risen in most member states since 2008, particularly strongly in Greece, Ireland, Lithuania and Italy. Only in a few countries has *relative* poverty decreased (e.g., Poland, Romania, or Portugal).

Figure 5: Development in the number of people at risk of poverty or social exclusion between 2008 and 2012



Source: Eurostat, IE 2011 data.

The 2008 crisis has also had a strong effect on sector-specific trends within the European labour markets: Whereas, between 2000 and 2008, the EU-27 experienced a steady and continuous net expansion of employment,¹ the European labour market abruptly resulted in a loss of more than 5 million jobs between 2010 and 2012.

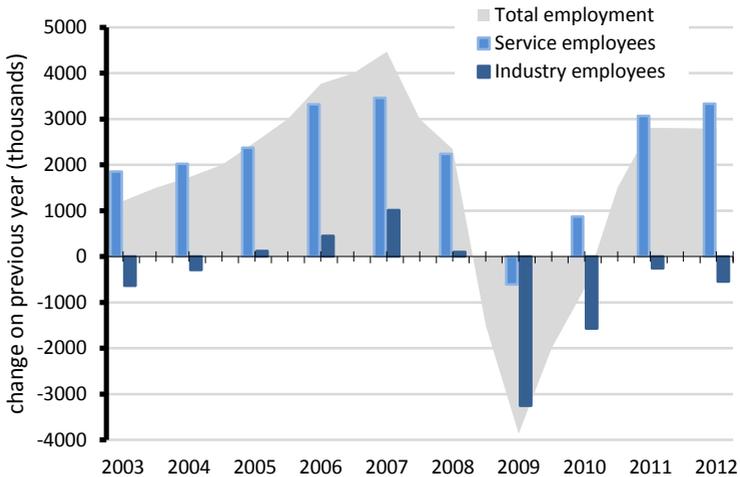
Behind these aggregate developments lies a dynamic of gross job creation and destruction: Throughout the last decade, most of the new jobs created were in the service sector and the share of services increased from 67% in 2002 to more than 72% in 2012. During that decade the absolute number of jobs created was 16.2 million. Employment creation has been par-

¹ Between 2002 and 2008 the total number of employees in the EU-27 increased by 14.2 million according to the EU Commission.

ticularly dynamic in business services, health and social work, education, and hotels and restaurants.

The increasing share of services in total employment not only resulted from a net creation of new jobs but also from a massive decline of employment in industry and agriculture. The respective decrease in the shares in total employment (industry from 26% to 22.6%; agriculture from 6.2% to 5.2%) translates into an absolute figure of nearly 5 million jobs in EU industry and 2.2 million jobs in agriculture. As the following figure illustrates, industry employment was particularly affected by the 2008 crisis, resulting in the destruction of more than 6 million jobs between 2008 and 2012.

Figure 6: Job creation and destruction in service and industry employment, 2002 - 2012



Source: Author's calculations, based on Eurostat figures

1.2. General trends of enterprise restructuring in the EU

The double-dip recession after 2007 has accelerated already existing longer term structural changes and reallocation of labour across broad sectors of the economy in all EU member states that was already notable previously (see also Eurofound 2012, p. 8-10 and Eurofound 2013b, p. 44-52). In all member states, the employment shares of agriculture and industry have been declining, while the share of services and in particular business services, services providing information and communication has increased throughout the EU. However, the pace of change varies significantly. In a number of EU member states, in particular in Central and Eastern Europe, industry employment in 2012 still had a strong share in total employment of 20 - 25%, while it was down to only 9% in the UK and around 10% in the Netherlands in 2012 (EU Commission 2013b, 66).

The above developments are the result of several factors: the stronger increases in labour productivity in industry and agriculture compared to other sectors (9); the continuing liberalisation of international trade that has induced a shift from the tradable sectors (industry and agriculture) to the non-tradable sectors (construction and services); and the low income elasticity of demand for the goods and services provided by the agriculture sector (European Commission 2013b and Sieber/Silva-Porto 2009).

Moreover, changing business models, whereby manufacturers outsource services such as cleaning, catering, security, logistics, IT, engineering, marketing or legal advice to enterprises

in the service sector, have caused a decline in the employment share for industry and a rise in the service sector and specialised services that are very closely linked to the manufacturers.

Furthermore, in some member states, fiscal consolidation since the onset of the crisis has reduced employment in public services, resulting in a decline in its employment share. Also, the cyclical fluctuations in the construction sector over the period 1995 to 2012 may have somewhat masked underlying trends. In addition, many of the member states which joined the EU in 2004 or subsequently (the exceptions being Cyprus and Malta) also underwent a significant transition from being largely centrally planned economies to market economies; this may have accelerated the decline in employment shares for industry and agriculture.

Finally, while much of the growth of international trade in recent decades had been identified in terms of final products, and driven by falling global transport costs, a profound change is emerging in which the focus is on changes in the distribution of activities within enterprises under the impetus of ICT developments that make it technically possible to coordinate complexity from a distance (Baldwin and Evenett 2012).

The database set up by the European Restructuring Monitor (ERM) of the European Monitoring Centre of Change (EMCC) allows for analysing the relevance of the different forms of restructuring since 2002 (for more details see also the description of the ERM in part 4). It should be noted however that the ERM database monitors large-scale restructuring events in European countries based on media reports across

all EU-27 countries. This currently is the single best publicly available source of EU data on the employment impacts of large-scale organisational restructuring. The ERM, also reflecting the practice of the European Commission and other organisations, refers to various and different forms of corporate restructuring:

- *Internal restructuring*: When the company undertakes a job-cutting plan, which is not linked to another type of restructuring defined below.
- *Closure*: When a company or an industrial site is closed for economic reasons not directly connected to relocation or outsourcing.
- *Bankruptcy*: When a company goes bankrupt for economic reasons not directly connected to relocation or outsourcing.
- *Relocation*: An activity stays within the same company, but is relocated within the same country.
- *Offshoring/delocalisation*: An activity is relocated or outsourced outside the country's borders.
- *Outsourcing*: When the activity is subcontracted to another company in the same country.
- *Merger/acquisition*: When two companies merge or when an acquisition involves an internal restructuring programme aimed at rationalising an organisation by reducing personnel.
- *Business expansion*: Where a company extends its business activities, and hires new workers. This type of restructuring has been introduced to the ERM database in order to report the positive impact of certain restructuring processes on employment, thus conveying that restructuring is not only, or not necessarily, about job cuts.

An analysis of around 14,700 large-scale restructuring cases that are documented in the ERM database and which were

reported between 2003 and 2013 (Eurofound 2013b, p. 42-44) shows that *internal restructuring* accounts for the clear majority of cases before and after the crisis. Just over 70% of job losses are attributable to internal restructuring.²

Restructuring due to *bankruptcy* or *closure* accounted for an increased share of job loss post-crisis compared to pre-crisis (20% compared with 15%) as organisations succumbed in the face of unsustainable commercial pressures arising from the crisis.

One of the most highly media-publicised forms of enterprise restructuring in the European Union is *offshoring* or international *relocation*. However, the incidence and employment impact of offshoring according to the ERM dataset is less significant than press accounts would suggest. Cases of *offshoring*, *relocation* and/or *outsourcing* represented a modest 4% of job loss in the period 2008 – 2013 compared to 9% before. According to the Eurofound analysis (Eurofound 2013b, p. 44), these forms of restructuring, that, in the case of offshoring and relocation, often involve significant investments, are less likely to have been undertaken in a context of post-crisis economic uncertainty. Thus, job loss through these forms of restructuring is pro-cyclical, increasing relatively and in absolute terms when the macroeconomic context is positive and

² In part, this may also result from the way internal restructuring is defined for ERM purposes and used by the national correspondents that classify a case: Where a company undertakes a job-cutting plan, which is not linked to the other forms of job-loss restructuring. Correspondents also tend to classify as internal restructuring cases where there may be a mix of restructuring types – for example, a combination of closing some units while offshoring certain other functions.

decreasing during recession or periods of declining growth. The modest decline in job-loss share attributable to *mergers/acquisitions* may reflect a similar logic.

Nearly all announced job gains in the ERM dataset arise from cases of *business expansion*. These account for just over a third of all ERM cases. After 2008, there has been a decline in job gain cases both in absolute terms and as a share of all cases. Additionally, the share of job creation cases involving start-ups or new establishments according to the ERM dataset declined from 41% in the 2003-08 period to 27% during 2008-13.

Table 1: Types of restructuring

Type of restructuring	% of job losses		Cases	
	2003-08	2008-13	2003-08	2008-13
Internal restructuring	71	72	2,228	3,617
Bankruptcy / Closure	15	20	999	1,348
Offshoring	7	3	409	257
Merger / Acquisition	4	3	178	145
Relocation/ Outsourcing	2	1	177	95
Other	0	1	22	28
Total job loss cases	100%	100%	4,013	5,490
Business expansion			2,631	2,468

Source: Eurofound 2013b: ERM Report, p. 43.

It is important to note that the European database of restructuring only covers larger cases of restructuring. At the same time, quantitative evidence has clearly shown that employment turnover, job losses as well as job gains in small and medium-sized companies (SMEs) are much higher than in the group of large companies.

Between 2002 and 2010, net employment in the EU rose substantially, by an average of 1.1 million new jobs per year. 85% of that net employment growth was created by small and medium-sized enterprises (SMEs), according to a study made for DG ENTR (de Kok et al. 2012). This figure is considerably higher than the 67% share of SMEs in total employment. The study has also shown that new firms (younger than five years) are responsible for an overwhelming majority of the new jobs. New enterprises operating in business services create more than a quarter (27%) of the new jobs, while the new firms in transport and communication contribute least (6%).

Restructuring in SMEs is less visible and less publicised than that in larger firms. This can be problematic as small and medium-sized enterprises (SMEs) are the backbone of the European economy, accounting for more than 99% of European enterprises and about two-thirds of private sector employment.

Restructuring is likely to have different manifestations in SMEs than in larger firms, though little is known about the details of restructuring in SMEs and its outcomes. A recent EU-wide research study (Eurofound 2013a) investigated the relevance of different forms of restructuring for SMEs, drivers of change, the main characteristics, success factors and con-

straints of SME restructuring as well as the effects of restructuring on companies and employees. Key conclusions are as follows:

- In the short-term, the economic and employment situation in smaller firms is more stable than in larger enterprises; over time however, effects on smaller companies may be more severe and longer-lasting.
- Internal restructuring, business expansion and bankruptcy/closure are the most common forms of restructuring in SMEs.
- Restructuring in SMEs tends to be carried out in a reactive, unplanned way and without formal restructuring plans. The owner/manager has a core role in SME restructuring, supported by various internal and external stakeholders. It is not common for staff representatives to be involved as the majority of SMEs have no formal staff representation structure.
- While external factors driving restructuring are common regardless of company size, in SMEs the internal drivers are different - including factors such as the personal ambition of the owner, limited resources and dependence on a few clients or suppliers.

2. Anticipating and Managing Restructuring in Europe in a Socially Responsible Way

2.1. The EU policy on anticipating and managing change and restructuring

Faced with an accelerated dynamic of restructuring at company level in the context of major economic trends such as globalisation, intensification of cross-border value chains, technological and ICT progress, the anticipation of structural change, accompanying measures in the field of employment policy, life-long-learning, skills development and training, as well as

mitigating the labour market and social effects of restructuring have emerged as a major theme of European policy making and debate starting in the late 1990s. As the following figure illustrates, during the last decade, a number of initiatives have been established around the issue of restructuring and a more pro-active approach of anticipating and managing change, fostered not only by the EU Commission but also in the context of EU level social dialogue at cross-sector as well as sector level. Furthermore EU institutions such as the European Parliament or the European Economic and Social Council have actively contributed to the debate on restructuring. And finally, the 2008 economic crisis has triggered EU level initiatives that resulted in the development of an “*EU Quality Framework for anticipation of change and restructuring*” that – according to the respective Communication of the EU Commission published in December 2013 (European Commission 2013d) – should serve as a policy orientation for all EU member states.

Figure 7: Evolution of the EU legislative and policy framework for anticipating change and managing restructuring





Source: Author

In this context also, the EU development itself has triggered both the pace and scope of restructuring and change within its frontiers. Namely the transformation of the common market into a single market in 1993, the Monetary Union, the introduction of the euro in 2002 as well as the subsequent enlargement rounds that increased the number of member states from 12 to 28 since 1995 has increased the competition within as well as the pressure on companies, industries and sectors to adapt.

Though restructuring in the sense of EU policy makers and social partners not only is not regarded as a negative term but it is stressed that it is a necessary and 'normal' process within

all market economies; the debate on restructuring always was linked to negative effects, in particular job losses and dismissals. These negative effects of restructuring became particularly evident in the second half of the 1990s when the EU unemployment rate was more than 10% – twice as high as the US rate.

As in the public perception and policy debate (Luxembourg Jobs Summit 1997) high unemployment was related to structural problems and an inability of companies to adapt, the anticipation and management of restructuring became more important. Thus following the Luxembourg Jobs Summit, a High Level Group on managing change was established in 1997 in order to develop a concept for addressing unemployment more effectively and managing change in a more socially responsible way. The final report of the group, led by Gyllenhammar, advocated an approach whereby industrial change is anticipated and managed through voluntary action undertaken at various levels (e.g., regular ‘Managing Change’ reports at company level), encouraged more by incentives rather than legislative measures. Legislation is viewed as useful in setting minimum standards, but solutions worked out through voluntary agreements are argued to be more effective than the imposition of penalties and sanctions, and are thought to lead to a more constructive and positive environment. The importance of developing a constructive social dialogue at all levels, particularly in areas such as information and consultation, was stressed by the Group.

The report argues that in order to reinforce the capacity for change, employers, workers and governments should share

the responsibility for ensuring the employability of the workforce. It is therefore not surprising that the Group supports the need to create "a European framework for information and consultation". Some of the suggestions made by the High Level Group have been put into practice:

- A general framework regulation with regard to information and consultation was passed in 2001 and implemented in 2004 covering all companies with more than 50 employees.
- In 2001, the "European Monitoring Centre on Change" was established as a resource and information centre to promote an understanding of how to anticipate and manage change. In this, the Centre reflects the suggestion of the High Level Group to establish a Europe-wide observatory with regard to industrial change.
- Other key initiatives were put into practice at EU level focusing in the issue of industrial change, restructuring and anticipation: In 2002, the European Economic and Social Committee established the "Consultative Commission on Industrial Change" and a range of other initiatives were put into practice following the European Commission's Communication on restructuring and employment in 2005, e.g., regular "Restructuring Forums" as platforms for the exchange of ideas and debate involving high-level public and private representatives, which started with the first Forum in June 2005. Since then a broad variety of activities have been carried out, including comprehensive overviews and documentations of national level good practices and tools focussing on the anticipation and management of change at national level.

Furthermore, the European Social Partners both at peak level as well as in different industry sectors have addressed the issue of restructuring both in joint projects as well as unilateral initiatives. However, though sharing the joint concern that the anticipation and understanding of restructuring and change in Europe is a key requirement and task, trade unions and employer organisations disagree quite fundamentally about the

methods and action that would be needed to better cope with restructuring. Trade unions are calling for some kind of binding European-level framework that will oblige employers to implement certain measures, such as training, social plans and audits of stress levels. Employers, by contrast, believe that the exchange of good practice and the coordination of industrial education and skills and social policy is the best way forward, rather than burdening business with more obligations.

However, the 2008 crisis has accelerated the debate on restructuring. After the EU Commission in 2012 published a Green Paper on the issue and a round of public consultations, the European Parliament in January 2013 in a Resolution “*Recommendations to the Commission on information and consultation of workers, anticipation and management of restructuring processes*” called upon the European Commission to adopt a more pro-active approach to the issue that finally resulted in the development of the EU Quality Framework for Anticipation of Change and Restructuring (QFR) that was published by the European Commission as a Communication in December 2013.

“EU Quality Framework for anticipation of change and restructuring”, December 2013

“New practices that have been applied both inside and outside of companies since the late 1990s show that anticipation of skills and training needs, as well as **responsible restructuring**, can be a success when social and regional actors cooperate.

Beyond the compelling employment and social objectives, anticipation and well-managed restructuring are preconditions of economic success and better working conditions. Never losing sight of the strategic desirability of workplace evolution and placing the processes of change within long-term frameworks (as opposed to deci-

sions based on a desire for short-term profits or on asset value objectives) can usefully contribute to the **sustainability and competitiveness of businesses**. This assertion is valid for entire economic sectors, regions and economies.”

The QFR is meant to offer guidance to companies, workers, trade unions, employers' organisations and public administrations in order to facilitate the process of restructuring for businesses and workers via better anticipation and investment in human capital, while minimising the negative social impact.

The QFR and its guidelines of good practices are outlined in individual fiches addressed to key stakeholders involved – employers, employees, trade unions, social partners and national and regional authorities. The measures cover both actions to anticipate restructuring (to be developed on a permanent basis) and management of specific restructuring processes. Specific measures suggested by the QFR include:

- Strategic long-term monitoring of market developments
- Continuous mapping of jobs and skills needs
- Measures for individual employees such as training, career counselling and assistance to facilitate professional transitions
- Involvement of external actors at an early stage, such as public authorities, university, training centres and supply chain
- Making full use of EU Structural Funds like the European Social Fund and the European Globalisation adjustment Fund in the concerned regions, in order to promote job creation and inclusive transitions.

The Commission will monitor the application of the QFR and report by 2016 on whether further action is necessary in this area, including a possible legislative proposal.

Apart from directly addressing restructuring and developing EU level initiatives of monitoring, stakeholder exchange and guidelines, EU labour law has also established a number of legal frameworks that aim at establishing a uniform minimum standard of employee rights and rules for social dialogue between employee representations and management in situations of restructuring. The following Directives establish a common framework of standards on information and consultation procedures as well as rules in the context of restructuring events such as collective redundancies, company transfer or insolvencies:

- Directive on collective redundancies in 1975 (updated by Directive 1998/59/EC)
- Directive on safeguarding workers' rights in the event of transfers or mergers 1977 (revised by Directive 2001/23/EC)
- In 1980, the EU Directive 80/987/EEC (amended by Directive 2002/74/EC) obliges Member States to set up an institution which guarantees the workers' salaries and other entitlements in case of insolvency, bankruptcy or liquidation of a company
- In 1994, the EWC Directive (revised by the Directive 2009/38/EC) defined minimum information and consultation rights in transnational companies in the European Union with at least 1,000 employees within the EU member states and with at least 150 employees in each of at least two member states
- In 2002, Directive 2002/14/EC established a general framework for informing and consulting employees in all companies with 50 employees or more on certain issues, including restructuring

- Finally, the involvement of employees is established in companies adopting, the European Company Statute (Directive 2001/86/EC), the European Cooperative Society Statute (Directive 2003/72/EC) or deriving from cross-border merging (Directive 2005/56/EC)

These Directives and legal frameworks also reflect a normative orientation of a “European Social Model” that was described by a leading British sociologist as follows:

“The European social model is in fact a mixture of values, accomplishments and aspirations, pinned together in varying terms, and with varying degrees of success, in different countries. The values include sharing risk through social insurance, limiting economic and social inequalities, promoting workers’ rights, and cultivating a sense of mutual responsibility or solidarity across the society.” (Giddens 2014, p.88)

Thus, restructuring is also seen as an active process, in contrast to the more passive and deterministic long-term forces of structural change and economic development.

However, since 2008 and in particular against the background of a sharp rise in unemployment and the increasing economic and social gaps within the European Union, the crisis has also resulted in a severe problem for this social model.

By concentrating enormous spending on rescuing a financial sector from the effects of its own faults and ‘structural reforms’ that include cuts in public spending, privatisation, reduction in wages and social benefits and undermining frameworks of collective bargaining and job security, Europe has adopted an approach of economic and monetary governance that tends to view social progress and achievements of the past at best as a luxury add-on. The ETUC General Secretary Bernadette Segol recently highlighted this reversal of means

and objectives of the European Union: “Social progress seems to have become an obstacle to Economic and Monetary Union rather than its objective.” (August 2014).

2.2. National frameworks of anticipating and managing change and restructuring in the European Union

Though there are relevant EU Directives on collective redundancies and information and consultation that have been implemented in all EU countries, the reality of dealing with dismissals and redundancies and the involvement of worker representations and trade unions in restructuring operations is quite different and varies enormously between countries.

It is important to stress that within Europe there is no common understanding of restructuring at the national level: Restructuring in France means something totally different to the same process in Denmark or the UK, for example. Public debate on restructuring in Poland also differs from that in Hungary or Slovakia. Also the perception of restructuring by workers and their representatives differs significantly: For workers in the UK, France and Germany restructuring means bringing about further deindustrialisation and outward relocation of manufacturing while in the new member states it is perceived as causing large, state-owned industries to disappear in the context of privatisation, and new industries and services and SMEs and business start-ups to emerge. In Portugal, the emphasis is on the crises of traditional industries; in Poland it is more about agriculture, mining and steel whereas restructuring debates in Spain, Hungary or Slovakia might focus on the significant dependency on multinational companies.

From the point of view of a worker confronted with a restructuring situation or even dismissal it very much depends on the country where he/she lives, the size of the company in which he/she works and, finally, also whether the trade union structure within the workplace is strong or weak. The table below gives an idea of the variation in national frameworks and the associated implications for worker involvement in the EU countries.

Table 2: National framework models with regard to dealing with restructuring

	Market-based frameworks	State-led frameworks	Social partners-led frameworks
Model	Business driven	State driven	Negotiation driven
Main tools of dealing with restructuring at company level	Severance payments	Early retirement, social plans, often including retraining and active job transfer measures	Early retirement, social plans, often including retraining and active job transfer measures Negotiated measures to maintain jobs by increasing internal flexibility
Tools and measures beyond company level	Voluntary structures	Tripartite dialogue	Regional and sectoral initiatives and agreements by social partners
Role of social dialogue	Formal, reactive information but no real consultation	Formal, consultation and negotiation depending on the legal framework as well as bargaining power of unions	Negotiated solutions

Countries exemplifying this framework	UK, Ireland, Poland and other CEE countries	France, Belgium	Austria, Netherlands, Germany Nordic countries
Examples	Regional Task Forces in the context of large scale restructuring; regional skills councils Special economic development zones	Regional revitalisation contracts Regional employment and economic development plans Territorial mobility centres	Local forecasting and networking (Nordic) Territorial employment pacts or alliances company based or local job transfer activities

Source: Author.

Prior to the global financial crisis, the dynamics of restructuring had already resulted in a growing variety of both national and European activities supplementing as well as improving “traditional” public employment policies by more suitable instruments focusing in particular on the employability of workers and/or the effectiveness of re-conversion and re-deployment.

As the 2008 crisis fostered restructuring processes at international, national, sectoral as well as company level and the competition in both manufacturing and services, employees, entrepreneurs and other key actors are facing an increased need to develop suitable and effective frameworks for human resources development, training and skills development as well as measures of professional and occupational transition, re-conversion and mobility in order to mitigate effects of acute crisis situations.

Many European countries are faced with the need either to develop or further improve mechanisms and instruments to

mitigate and cushion the effects or threat of collective redundancies as an aspect of company restructuring. At the same time, more concrete activities regarding immediate measures to cushion the social effects of restructuring and the anticipation of restructuring have been developed in all EU countries, whereby the following trends can be observed:

- In the past such measures often displayed a rather “passive” character (such as early-retirement, “golden handshakes”, i.e., severance payment packages and voluntary redundancies)
- Learning processes both in the context of previous local and sectoral crisis situations as well as learning from good and innovative practice throughout Europe has resulted in an impressive variety of national concepts of a more pro-active character.
- One result, for example, is that activities in the context of re-conversion and job transition today often are connected to occupational re-orientation, training and qualification as well as out-placement

3. The Role of Social Partners, Social Dialogue and Collective Bargaining in the Context of Anticipating Change and Managing Restructuring – Varieties of European Industrial Relations

In spite of the European legal framework, the variability of both the legislative frameworks of industrial relations and the concrete practices of the European countries in regard to social partners’ involvement at company level and above related to corporate restructuring are very relevant.

Regarding the organisational strength and actual role of trade union and employers' organisations, the European Union is characterised by a strong variety of organisational principles,

divisional structures as well as membership strength and influence.

Pluralism of social partner organisations in the European Union

Amongst the 28 EU Member States the number of trade union confederations range from one (Austria, Ireland, Latvia and the United Kingdom) to nine (France). There are two trade union confederations in three countries (Greece, Estonia and Malta), three trade union peak organisations in nine Member States (Slovakia, Bulgaria, Belgium, Germany, Lithuania, Poland, The Netherlands, Finland and Sweden). Denmark, Cyprus, Luxembourg and Portugal have four trade union confederations, while Czech Republic and Romania have five, Spain and Hungary have six and Slovenia and Italy have seven.

Trade union divisions include the general confederations (covering all economic sectors, including the public administration) and specific peak organisations, often in the services (Estonia, Slovakia, Cyprus, Luxembourg, Czech Republic, Spain, Slovenia and Italy) or in the public sector (Greece, Bulgaria, Germany, Luxembourg, Slovenia and France). Other relevant divisions are politics-based (Malta, Bulgaria, Belgium, Lithuania, Poland, The Netherlands, Cyprus, Luxembourg, Portugal, Czech Republic, Romania, Spain, Hungary, Slovenia, Italy and France) or religion-based (Slovakia, Belgium, Germany, Lithuania, The Netherlands, Denmark, Luxembourg, Czech Republic, Spain and France). Occupational divisions are present at peak level in six cases (The Netherlands, Finland, Sweden, Denmark, Cyprus and France), while the regional criterion is present in four cases (Belgium, Czech Republic, Spain and Slovenia).

The membership share of the largest trade union confederations range from 100% (Austria) to 23% (France), while in 2008 union density rates varied from 68.8% in Sweden and 67.6% in Denmark to 7.7% in France and 7.6% in Estonia. From 2000 the union density rate at the EU level decreased 4 pp. to almost 24% in 2008, a rather linear trend since the 1980s.

In spite of these long lasting divisions at the National level, at the European level the European Trade Union Confederation (ETUC)

brings together 64 of the 98 national trade union confederations identified in the ICTWSS database. According to this source ETUC organises 56 million people in 36 countries and includes 12 European Industry Federations.

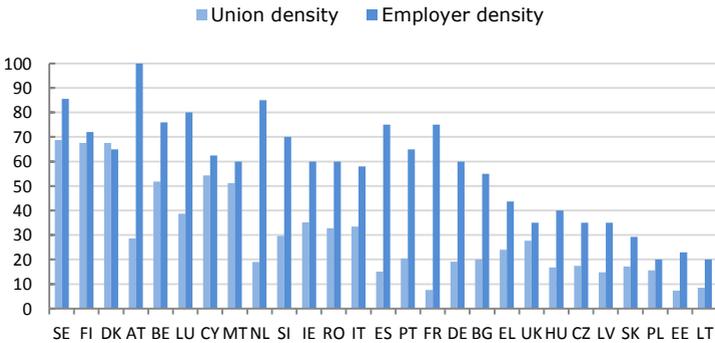
Amongst the 27 EU Member States a total of 111 national confederations and peak associations of employers were counted by the ICTWSS database in early 2000, a number a little higher than the corresponding figure in 2000 and the present number of trade union confederations, which confirms that the employers' organisations have tended to be more fragmented, although more stable during the last decade, than the trade unions. According to expert estimations, in 2008, nearly 58% of the total employment of the EU member states worked in firms affiliated with employers' associations.

When comparing the density rates of employers and of workers in the EU three different combinations are apparent: A first group consisting of the Nordic countries but also Belgium, Malta and Cyprus is characterised by high union density as well as high employer density. This pattern contrasts with a group of countries (the UK and most Central and Eastern European countries) that is characterised by low union density and low employer density. Finally, there is a group of EU member states that displays a combination of comparatively low union density and high employer density. This group is made up of countries in Western and Southern Europe. It should be noted here that the fourth theoretical combination – high union density and low employer organisation – is not displayed by any EU member state.

An estimated 121.5 million of the 184 million employees in employment in the EU were covered by a collective agree-

ment in 2008. This translates into an adjusted bargaining coverage rate of 66%, or two-thirds of all EU employees. Over the first decade of the 21st century the number of employees covered increased by more than eight million, but since employment increased much faster, the coverage rate slipped by 2 percentage points. The most striking feature of the figure below, taken from the Industrial Relations in Europe Report 2010, is the huge cross-national variation, ranging from virtually 100% in Austria to less than 20% in Lithuania.

Figure 8: Union and employer density, 2007/2009

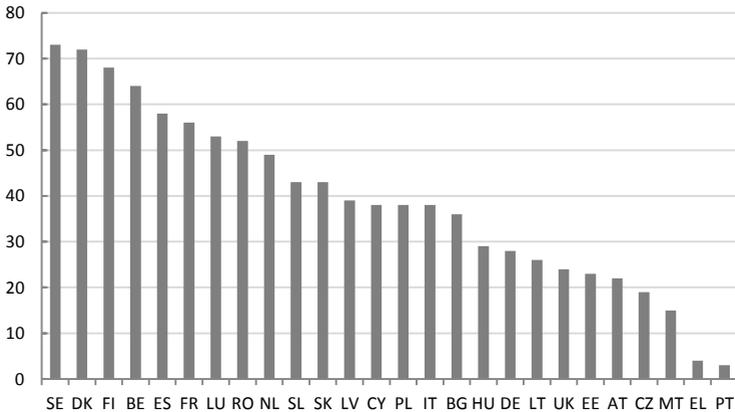


Source: ICTWSS database 3.0, 2011. Figure taken from EU Commission: *Industrial Relations in Europe 2012*, p. 23

It must be noted that the coverage rate is affected by a complex set of factors which include trade union and employer’s density rates, the extension of collective agreements that are permitted by the labour law of most member states, and the possibility to derogate certain provisions of multi-employer collective agreements by company-level arrangements and agreements. Thus, coordination between levels of social dia-

logue and collective bargaining is a feature of increasing relevance in Europe (see Pochet et al. 2010; Traxler 2010).

Figure 9: Collective bargaining coverage rates (per cent of total employees), 2007/2009



Source: ICTWSS database 3.0, 2011. Figure taken from EU Commission: *Industrial Relations in Europe 2012*, p. 22

Employee representation in enterprises for the purpose of information and consultation is a key feature of European industrial relations. Legal provisions for employee representation exist in all countries and are required by EU law, based on Directive 2002/14/EC on information and consultation. The ways of organising employees; the rights and activities of representatives; their reliance upon the unions; independence from management; formal and informal involvement in grievance handling and negotiations in the workplace or enterprise differ widely across the EU.

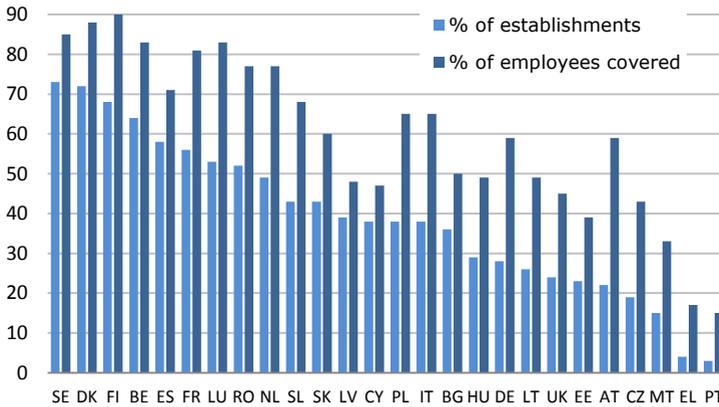
A great variety of institutional structures exists among the member states with regard to the formal organisation of employee representation in the enterprise. The basic differentiation is whether employee representation proceeds through the union or is based on a construction that is formally independent from the union, i.e., the works council.

While comparative data and research results on the coverage by companies by information and consultation structures are rare, the European Company Survey (ECS) of Eurofound provides some useful comparative data. The survey is based on interviews conducted with around 27,000 managers of companies with at least 10 employees.³

The following figure provides an estimate of the proportion of workplaces with 10 or more employees that have a union and or a general works council representing some or all of the employees as well as the proportion of employees covered by these arrangements which is always higher than the establishment coverage because of the predominance of larger companies in employment terms.

³ The ECS asks about the presence of 'legally established or institutional forms of employee representation at establishment level, which can be a trade union representation and/or a general works council type, depending on the country' and also at company level in multi-site companies where there was no formal representational system in the workplace. This broad coverage of employee representative arrangements will in many countries, but not all, exceed the scope of information and consultation bodies.

Figure 10: Coverage of establishments with at least 10 employees by official structures of employee representation



Source: Eurofound, *European Company Survey 2009*, data from Eurofound 2010: *Information and Consultation across the EU five years after the Directive*, Dublin, p. 8/9.

There are marked differences between countries in terms of the incidence and coverage of institutional forms of employee representation. For example, while the incidence of employee representation in establishments in Austria and Germany, both with long-established works council systems, is well below the EU-27 average of 37%, the proportion of employees covered is 59%. Around two-thirds or more of establishments in Belgium, Denmark, Finland and Sweden with over 80% of employees are covered by representational arrangements while, in contrast, representational coverage is very low in countries such as Greece, Malta and Portugal with less than one in five establishments covered and one-third or fewer employees benefiting from representation in the workplace.

A specific feature of industrial relations in Europe is the existence of a legal framework of cross-border employee represen-

tation at the company level. There are two main forms of transnational level employee representation within multinational enterprises in Europe: European Works Councils according to the European works council directive (Directive 94/45/EC), recast in 2009 as Directive 2009/38/EC and secondly, European Companies (SEs) established under the 2001 regulation on the statute for a European Company (Council Regulation (EC) No 2157/2001), have to comply with provisions for employee involvement, including board-level representation and/or European level works councils under Directive 2001/86/EC.

The thresholds required for an enterprise to be covered by the European works council directive are, for a Community-scale undertaking, ‘at least 1,000 employees within the member states and at least 150 employees in each of at least two member states’. Essentially, the aim of the directive is to promote voluntary agreements on the constitution and operation of EWCs. Not all of the multinational companies covered have established a EWC. According to the EWC database of the European Trade Union Institute, around 1,000 EWCs were active at the beginning of 2014, representing some 16 million workers.⁴ This represents a coverage rate of around 40% of the multinationals, and 60% of the workforce, estimated by the Institute to be covered by the directive.

Practice amongst EWCs has varied widely. In some instances, they have played an extremely limited role and were often a simple recipient of information about a restructuring exercise, sometimes even after the decision had been taken. More rare-

⁴ The ETUI’s database can be found at <http://www.ewcdb.eu>.

ly, they have been fully involved participants, becoming a site for collective bargaining in some multinational enterprises that resulted in transnational agreements on the anticipation of change and management of restructuring in a social responsible way (Moreau and Paris 2008).

The European Company (SE) has added additional facets on obligatory worker involvement at European level particularly by including – for the first time – participation rights at company board level. From October 2004 it became possible to establish a European Company in order to enable companies to operate their businesses on a cross-border basis in Europe under the same corporate regime. An important feature of this new company form is that – by means of the associated SE Directive (2001/86/EC) – obligatory negotiations on worker involvement in SEs were introduced which include the question of representation of the workforce at board level.

As of January 2014 the ETUI's European Company Database (ECDB)⁵ provides information on a total of more than 2,000 SEs. However, this rather impressive total should not blind observers to the fact that most SEs do not conform to the standard definition, for they are partly SEs without or with very few employees. Only less than one-seventh of the SEs today have been identified by the ECDB as having more than five employees in fact.

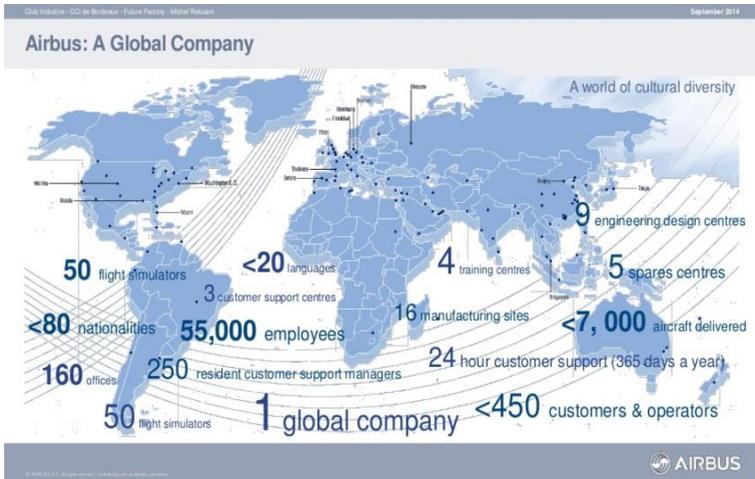
⁵ See <http://www.workersparticipation.eu>.

4. Anticipating and Managing Restructuring for the Benefit of Workers and the Business – Two Examples of Good Practice

4.1. Managing permanent restructuring and anticipation of change at Airbus in Hamburg

Airbus is a European manufacturer of aircraft with production sites in France, Germany, the UK and Spain. Airbus is a global producer having fully-owned subsidiaries and production facilities in China, the USA, Japan and the Middle East, with spare parts' centres and field service offices around the world and a global workforce of almost 60,000 people.

Figure 11: Profile of Airbus



Source: Airbus

Hamburg hosts the main German production site and the headquarters of Airbus-Germany. At the major production site in the district of Hamburg-Finkenwerder, Airbus has its own runway. Airbus in Hamburg is the largest manufacturing company in the metropolitan region of Hamburg with more than 16,000 employees in the main factory that is the site where, for example, the Airbus 380 is assembled and delivered to customers.

Restructuring is a permanent feature of the aviation industry and various forms of restructuring such as internal reorganisation of functions at national as well as European and global level, outsourcing and changes in the value chain are taking place continuously. With regard to Airbus in Hamburg, different forms of restructuring during the last decades have resulted in job losses but also direct as well as indirect job creation. For example, in 1995 a large internal restructuring programme was implemented at Airbus globally in response to pressures caused by the low dollar value on costs and prices of the European production sites that resulted in the reduction of 8,000 jobs in total, 1,900 of which were located in Hamburg. However, most of these jobs were not lost entirely but were outsourced and moved to supplier companies or were relocated to new suppliers within as well as outside the region that were established at that time. This demonstrates another feature of restructuring: While employment in a certain company may be reduced, the overall employment in the sector is stable to growing due to employment creation at suppliers and new establishments as a direct result of restructuring.

Between the decision to locate key tasks of the development, manufacturing and assembling of parts of the Airbus A380 aircraft in Hamburg in 2000 and the delivery of the first aircraft in 2008, the company in Hamburg experienced a number of difficulties stemming from technical problems as well financial problems that partly resulted from the dramatic effects of the 9/11 terror attacks on the global aviation sector.

In response to the financial problems and challenges, between 2003 and 2006, Airbus implemented a global comprehensive cost reduction programme (targeting a cost reduction of €1.5 billion per year) called 'Route 06' that also included internal reorganisation processes such as the setting up of a series of centres of excellence based around its manufacturing sites and the major components of its aircraft. In 2006 and in response to the significant delays in the delivery of the first A380, another restructuring and cost reduction programme ('Power 08') was launched.

These programmes included the outsourcing of functions and services such as logistics and the streamlining of processes in the cooperation with suppliers, quality control and purchasing. As a result of the cost reduction programme, the number of flexible temporary agency workers increased rapidly, reaching peak levels of 5,000-6,000 agency workers in 2005/2006 and a share of around 1/3 of the workforce at the main site of Airbus in Hamburg-Finkenwerder. Temporary agency workers were employed mainly in production, painting, coating and assembling functions but also in administrative white-collar jobs. They were also the first who lost their jobs in situations

of crisis, e.g., after 2006 when 1,000 of the then 4,000 agency workers were dismissed.

Works councils at local (*Betriebsrat*) and national (*Gesamtbetriebsrat*) and (as in the case of EADS/Airbus) group level (*Konzernbetriebsrat*) as employee representatives on boards of directors play an important role in influencing corporate decisions, in particular in relation to recruitment, HR development, training and social issues. In the case of Airbus, the works council during the last decade has played a key role in developing and fostering initiatives that aimed at cushioning the effects of the various rounds and programmes of internal restructuring and reorganisation of employment and working conditions. Furthermore, the works council has successfully fostered its own agenda with initiatives, for example, in the field of gender equality, integration of migrant workers, working conditions and occupational health and safety that contributed to an improvement of working conditions, quality and labour relations at the company level. However, perhaps the most important objective (reflecting also the priority interest of the employees) has been job security and the development of agreements at company level that include the management's commitment to prevent economic redundancies.

As described before, the cost saving programmes in response to the delays in the A380 programme included massive activities of outsourcing of functions (in particular in the field of engineering, logistics, as well as the selling/transfer of single production sites). Originally, the management also intended to dismiss thousands of workers across Europe but this plan was modified against the background of strong opposition and in-

dustrial action by German and French trade unions and political actors. In the end and after further industrial action, the most important result of the Power08 restructuring programme was the transfer of three German Airbus sites to a new company (Premium Aerotec), affecting 6,000 employees. Though this of course created insecurity amongst workers, jobs were saved and contractual conditions (wage levels, working hours, holidays etc.) were guaranteed.

Apart from outsourcing, the massive increase in temporary agency jobs and service contracts with engineering companies was a further challenge for trade unions and works councils. At its peak level in 2005/2006 there were around 6,000 temporary agency workers employed at the main site in Hamburg-Finkenwerder. The integration of such a large number of temporary workers of course has had a significant effect on workplace labour relations and organisation.

Against this, the Airbus works council during the last decade has developed and implemented (by means of company based collective agreements) a number of measures that not only aim at reducing the share of temporary works but also to improve and stabilise working conditions and labour relations. Regarding temporary agency work, the priority was to improve their situation by equal pay and equal treatment agreements, support the transfer into direct employment and reduce the overall share of temporary agency work. Here, the works council was very successful and, for example, achieved an agreement on equal pay after four months of temporary employment. It should be mentioned that the agreements on equal pay of temporary agency workers would not have been

possible without the campaign of the IG Metall on the issue during the last ten years. Furthermore, the transfer of thousands of agency workers into direct employment at Airbus (for example, 600 in 2013 alone) reduced the overall number significantly (in 2013, there were 2,500 agency workers at the main site in Hamburg-Finkenwerder, that is a share in overall employment of less than 10%).

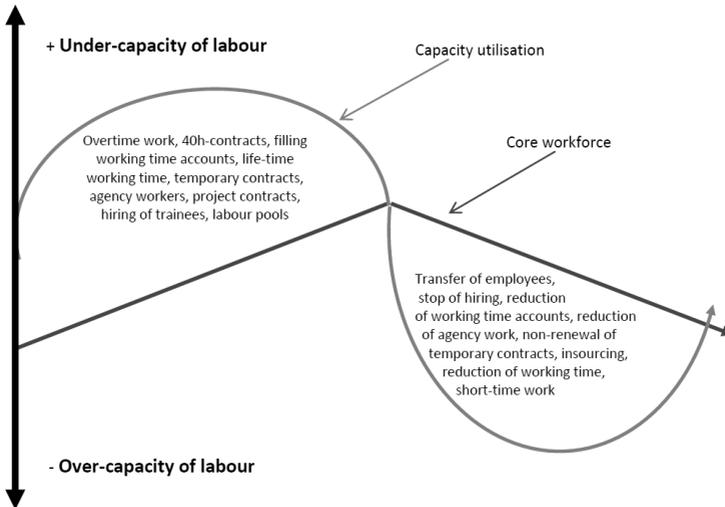
The works council also achieved certain consultation and co-determination rights in the field of service contract employment (*Werkverträge*) that have increased, in particular, in fields such as engineering and development functions, construction and repairs, logistics, IT and business services.

With respect to working conditions, the works council at Airbus and the regional metalworkers unions IG Metall Küste concluded two major collective agreements (*Firmentarifvertrag*) with the Airbus management as well as further company based agreements (*Betriebsvereinbarungen*) that can be regarded as cases of good practice in combining the management's interest in increasing internal flexibility with the employees' interests in decent working conditions and job/employment security.

In 2006, the national collective agreement between the IG Metall and Airbus on 'Security through Flexibility' (*Siduflex*) was concluded. It consisted of a bundle of measures focusing on the increased work time flexibility such as extending the flexible work scheme (with larger bandwidths of shortening as well as extending weekly work hours, see figure below) and the working time accounts that the company already had introduced in 2003. In turn, the management agreed to reduce

the number of temporary agency workers significantly. Though the agreement covered not only the Hamburg Airbus locations, the works council at the Finkenwerder site was a major driver of this agreement.

Figure 12: Siduflex agreement 2006: Increasing internal and external flexibility



Source: Siduflex Collective Agreement between IG Metall and Airbus, 2012.

After the *Siduflex* agreement was terminated by the Airbus management at the end of 2011, the works council and the IG Metall in 2012, after nearly two years of negotiations and campaigning (including strike action), succeeded in concluding a regional collective agreement (*Zukunftstarifvertrag*) that covers around 16,000 employees at the Airbus locations in Northern Germany (Hamburg, Bremen, Stade and Buxtehude) and includes a number of regulations aiming at safeguarding

employment, improving working conditions, flexible work, working time and other aspects:

- Temporary agency work will be reduced to a maximum of 20% until 2015 and 15% after that in the production process (in 2013 the share was around 19% in the workforce at the Northern German manufacturing sites);
- Temporary agency workers after four months receive equal pay;
- Airbus commits itself to an apprenticeship rate (that is, share of apprentices in the total workforce) of 5% (in 2013 the rate was around 4.5% in the Northern German sites) and will offer every apprentice a direct job after the successful completion of vocational training;
- the agreement includes a number of measures implemented jointly by the works council and the management aiming at increasing productivity above the annual target ('joint optimising process') and an active participation of the works council in the context of work optimisation and productivity;
- Airbus rules out any economic dismissals until the end of the agreement in 2020 and also guarantees that the Northern Germany locations as well as their key competences will be sustained;
- The information and consultation of the works council in decisions of outsourcing and contracting out of functions and services will be intensified.

Apart from the sector-wide collective agreements that have been concluded between the Airbus management in Germany and the metalworkers trade union, IG Metall, the Airbus works council has concluded a number of company agreements (*Betriebsvereinbarungen*) with the management on various issues related to working conditions, company based employment policy and work organisation. One initiative that was awarded in the context of the annual competition of the German Works Council Prize was an agreement on the pro-

motion of technicians' further training amongst female workers (*Meisterinnen-Förderprogramm*) that was introduced in 2011 jointly with the management.

At sector level, the IG Metall has also intensified its activities in organising smaller companies in the aviation sector and thus reflecting developments in the supply chain and supplier relationship by establishing a sector network for the aviation industry called 'AirConnect' that organises the exchange between works councils, carries out questionnaire based surveys amongst works councils and elaborates analyses that should contribute towards employed-orientated forms of innovation, structural change and growth of the sector (IG Metall 2012). However, as representatives of the Airbus works council in Hamburg-Finkenwerder have highlighted, so far no structured and regular exchange between works councils of the larger companies and the SME suppliers have taken place at the regional level.

Apart from the local, regional and national Airbus works council, the EWC is also playing an important role not only for the articulation of employee interest representation before the central European Airbus management but also for the coordination of interests, the exchange of experience and information and the consultation between trades union representatives in Europe. Against the accelerated transnational cooperation in the A380 programme as well as in the area of supply chain organisation that also includes a stronger competition between production, supplying, assembling and delivering sites, the need for internal cooperation within the group has

increased during the last decade and here the EWC plays a crucial role.

The Airbus EWC committee also is an important arena of exchange with the European management on strategic orientations and corporate planning; for example, the target of the management that was announced at the end of 2013 was to increase the operating profit margin from 4.7% to 10% in 2015 as a result of the far-reaching restructuring of the EADS group.

4.2. Social dialogue and networking in the SME sector: The example of German agricultural machinery

The agricultural machinery industry in Europe, currently employing around 180,000 workers in the EU, represents an important subsector within the machinery sector. In an international context, the industry is highly competitive. Some of the most important global players of the agricultural machinery industry are located in Europe. And here Germany is the leading producer with more than 100 companies, most of them family-owned medium to large-sized ones in rural areas. Total employment in the sector in Germany in 2013 was around 32,000.

Today, the entire agricultural machinery sector is characterised by high-tech procedures in which the innovative ability of enterprises plays a distinctive role. In this sense, it also symbolises the high-tech leadership of Europe with its high road production strategies, based on well-trained employees and production sites in Europe. The image and role of the agricultural machinery industry has changed. Whereas it was

previously only important for traditional agriculture, nowadays it plays an important role in regard to global challenges in climate change, the shortage of energy resources and demographic change.

In the context of competitiveness and employment, the story of agricultural machinery in Germany during the last 15 years has been a success story: Major manufacturing locations not only stayed in Germany but employment even expanded due to successful export strategies, sustainable investments in new markets in Central and Eastern Europe, Asia and the Americas.

This success story was made possible by significant restructuring and efforts to adjust production to new global market conditions. Since the mid-1990s, there has been a concentration within the sector through a number of mergers as well as measures at company level in order to improve production processes and productivity.

The agricultural machinery sector not only has been characterised by a remarkable stability throughout the crisis, but also is one of the rare manufacturing sectors in Germany that has been able to increase its workforce throughout the last decade: Since 2005 a net number of 10,000 jobs have been added by the sector, most of them in direct and full-time/open-ended contracts.

Preventing redundancies in difficult economic times (e.g., at the beginning of the 2000s or in the context of the 2008 crisis), increasing productivity and developing alternatives to relocation of production to low-pay countries and continuous

search for innovation and competitiveness advantages in the German agricultural machinery sector to a large part relied on the active involvement of works councils and the metalworkers union IG Metall in change processes and the management of restructuring.

Both employers and employees are well organised in sector-level employers' associations and trade union structures and the agricultural machinery sector is firmly covered by collective agreements at sector level that are accompanied by company agreements at firm level between the respective employer and works councils.

In particular the following aspects should be highlighted with respect to the anticipation and management of change and restructuring in the agricultural machinery sector:

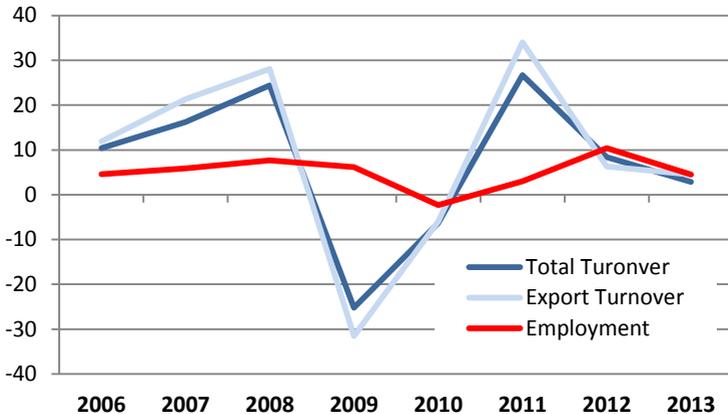
Faced with increased pressure of costs and wages, works councils have been involved in reorganisation measures aiming at enhancing productivity and cost efficiency as well as introducing innovations in work organisation and work processes.

This also resulted in a number of company level agreements on increasing external flexibility, i.e., temporary agency work that accompanied well-developed instruments of internal flexibility (working time accounts, short-time work agreements, etc.).

As a result productivity increased much faster than labour costs and therefore offshoring and relocation to low-wage countries was avoided.

In particular in the 2008 crisis, measures of short-time working prevented economic dismissals and the workforce was maintained. These measures were particularly important for companies to avoid shortages of skilled and motivated workers in the situation of recovery that took place soon after 2009. These developments are illustrated in the following figure.

Figure 13: Y-o-Y change (%) in turnover and employment in the agricultural machinery sector in Germany, 2006 - 2013



Source: Author, based on data from the Germany statistical office

But the success in managing crisis and restructuring on the solid basis of collective bargaining at sectoral level, active involvement of employees and works councils and trust-based social dialogue makes the agricultural machinery a sector that illustrates the added value of social dialogue for the benefit of both workers and the business. The company-based social dialogue and employee involvement is accompanied by a unique sector-level network of works councils that already existed before 1996.

This networking and cooperation of works councils that is actively supported by the metalworkers union, IG Metall, has also contributed to sector-wide solutions and approaches relating to managing restructuring, e.g., on topics such as short-time work, wage developments, the use of temporary agency work. With works councils of all major companies of the sector involved in the network, the network is also remarkable as employee representatives from companies are involved and cooperate with each other even when they are also competitors in the market. However, there are also strong joint interests of employee representations: During the 1990s and in the context of EU enlargement many companies considered offshoring parts of their production to lower cost countries in Central and Eastern Europe and used this as pressure in the collective bargaining rounds and negotiations on wages. Furthermore, many works councils were confronted with management demands to increase the weekly working time (in the metalworking industry the trade unions in 1984 achieved the reduction of weekly working time from 40 to 35 hours per week without wage reductions) due to stronger competition in the market. Another demand of employers in the context of increasing productivity faster than labour costs was the extension of flexible workforces, in particular by the use of temporary agency work instead of direct employment. This option in order to increase external flexibility was simplified by the labour law reforms that were implemented in Germany after 2003.

One major landmark in the joint approach of works councils in the agricultural machinery sector in relation to defending ‘good work’ in the sector while at the same time accepting the

need to adjust, reorganise and increase competitiveness was the Declaration of Münster that was adopted in 2004 and defined a common strategy of employees regarding collective bargaining objectives, flexibility and working time.

Against the background of the accelerated development of the European internal market and EU enlargement at the beginning of the last decade, the German works council network in 2007 went European and established a European networking project that was coordinated by metalworkers unions (including the metalworkers' branch of IndustriAll Europe) and involves more than 30 companies from ten European countries.

Though employers initially were reluctant, the pro-active employee networking within the agricultural machinery sector also has improved social dialogue at sectoral level – there is a constant dialogue between the IG Metall and the employers' organisation VDMA as well as between the sector committee of the European metalworkers' union IndustriAll and the European Associations of Manufacturers of Agricultural Machinery (CEMA).

The achievements of the works council network in the agricultural machinery sector in Germany are quite remarkable. In particular the following aspects should be highlighted here as they not only contributed to stable and 'high road' working conditions but also to an increase in the competitiveness of the companies involved (thus, disproving the argument that good working conditions and wages are incompatible with international competitiveness):

- A highly motivated and professional workforce was kept even during temporary crisis situations and downturns;
- Segmented workforces of ‘In- and Outsiders’ or core and peripheral workers were contained and avoided by an increase in internal flexibility and improvements in work processes and organisation;
- Employees and their representations have supported cautious strategies of internationalisation and efficiency improvements by outsourcing that has been regarded as necessary in order to safeguard jobs at local level in Germany;
- Individual employees as well as works councils at company level were actively involved in change and innovation processes and this has not slowed down change and adjustment but, to the contrary, in many cases has speeded up decisions and made them more sustainable, because workers actively support them;

The success of the agricultural machinery employee network has a number of preconditions, in particular the following:

- Corporate cultures that are characterised by employers and owners that have a strong feeling of social responsibility for local communities and the workforce;
- In turn, there is a high identification of employees with ‘their’ company;
- The networking and coordinated practice that started in the 1990s has strengthened the position of works councils and employee representations within their respective companies;
- The strength of the network as well as company level interest representations also resulted from the active support and resources (e.g., regular training, co-funding of project activities, organisation of bi-annual seminars, etc.) it received from the metalworkers union IG Metall.

5. Conclusions

In the conclusions to a major project on restructuring in the EU-27 member states that was carried out in 2009 and 2010, the authors highlight that ‘restructuring’ in Europe today has emerged as a comprehensive concept:

“Restructuring is no longer only regarded as a way of responding to economic crisis, but is in many countries of strategic relevance for longer-term economic development and competitiveness. The way Member States manage restructuring is central to governments’ ambitions to fight unemployment and develop sustainable economic growth, and the recent economic crisis has stimulated the development and implementation of new measures for anticipation and management of restructuring in accordance with these ambitions.” (International Training Centre of the ILO 2010)

This corresponds to European policy towards socially responsible restructuring which has been fostered by various initiatives since the late 1990s. Thereby, at the EU level, both “hard” and “soft” laws are combined to manage economic restructuring and its social consequences.

As exemplified by the Directives on Information and Consultation of Workers, the European legal framework in force recognises the important role of the European Social Partners, employers’ and employee representatives. Reinforcing the idea of anticipation and the promotion of a socially responsible management of restructuring processes, the broad objective of the 2013 EU Quality Framework for the anticipation of change and restructuring is to prevent industrial conflicts and support social dialogue based solutions with the intention of

increasing companies' competitiveness and workers' professional employability and mobility.

With the QFR, the European Commission has adopted an approach of influencing and shaping, anticipating and managing restructuring in a socially responsible way that is voluntary. Also reflecting the EU policy method of 'open coordination', it contains references to best practices on anticipation and good management of restructuring that should guide the practice of companies, workers' representatives, social partners as well as national and regional authorities.

By this "soft" approach the EU Commission also takes into account the diversity and plurality of labour law, social dialogue and industrial relations within Europe. This report as well as numerous further comparative studies has illustrated the striking differences that exist between member states as regards policies and measures to manage restructuring. Differences between member states not only concern the general role of public policy in the context of restructuring but also the involvement of social partners, the responsibilities of companies and resources available for employment related or social policy measures.

However, the overall picture of managing restructuring in Europe is characterised by a remarkable pluralism and inequalities not only between countries but also within them: Workers in East and West, North and South or workers in small or large companies affected by restructuring face quite different opportunities, support measures and resources to enhance mobility and employability. Furthermore, the inequalities between full-time workers in more secure employment relation-

ships and those in more flexible forms of work are quite striking.

The effects of the 2008 crisis and the euro recession certainly have deepened existing inequality and imbalances within the EU in regard to corporate competitiveness and the functioning of labour market institutions as well as industrial relations frameworks. The crisis has also accelerated restructuring processes at company level and beyond and thus has been a test-case for national frameworks of a socially responsible management of restructuring and the anticipation of change. Furthermore, especially in those EU countries that were particularly damaged by the 2008 crisis and the euro crisis after 2010, the economic governance doctrine of fiscal austerity and ‘structural reforms’ has resulted in a deep crisis of industrial relations, collective bargaining and social dialogue that has also weakened its capacity to positively influence and shape restructuring at company level and beyond.

However, the two examples described in this paper in more depth also illustrate that the EU level normative approach of social dialogue, workers' involvement and socially responsible restructuring is not only wishful thinking. The two cases also strongly illustrate that combining good and even better working conditions, comparatively high job security and wages on the one hand and increasing productivity and competitiveness of a firm are far from incompatible. If based not on a purely cost-oriented strategy of modernisation and change but on a business model that most adequately could be described as a ‘sustainable company’ model, employee involvement, strong

interest representation and codetermination rather should be regarded as elementary parts of such a model.

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Reviving Employees' Involvement and Fair Relationships in Israel: Guidelines for Success in an Era of Structural Changes

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Introduction: Structural Changes on the Global Level and in Israel

The Israeli labour-relations system has been undergoing deep structural changes in the past three and a half decades. State-led capitalism is giving way to a global and more competitive capitalism in which the power of financial investors, transnational corporations and the managerial elite is growing, while the power of numerous groups of employees and of their unions is declining. Labour relations are changing from collective to individual contracts, and therefore unions are becoming less involved and employees are losing much of their bargaining power. Employers try to benefit from their superior position in order to renounce their obligation to collective bargaining by outsourcing units of the firm to external contractors. New employers do not even consider binding collective labour relations. Employers dictate labour conditions to their employees rather than negotiating with them or letting them participate in the decision-making process in the organisation. They justify this by citing the restrictions imposed by an unstable business environment. The current labour market is much more turbulent. On the one hand, it produces well-paid and satisfying jobs; but on the other hand a much deeper

process has occurred – the transformation of jobs into commodities, of "good jobs" to "bad jobs," of standard employment into non-standard and precarious employment arrangements. "Workers" have become a "workforce", hired by contractors rather than directly employed by the company (File, 2004; Jessop, 1994; Lash and Urry, 1987; Ram, 2004; Sklair 1997; Sklair, 2000; Sklair, 2002).

These structural changes are occurring in many capitalist democracies, but in Israel they are more accelerated and drastic. Israel is a unique case. From the early pre-state era, Israel was dominated by the hegemony of the Labour-Zionist movement, and had a social-democrat, corporatist political economy, with an outstandingly high rate of union density and self-owned enterprises by the major labour organisation – the *Histadrut*. But, since the 1980s, the Israeli political economy has become dominated by capital owners, transnational corporations, professional managers etc. This domination is justified by neo-liberal ideology. The *Histadrut* is losing power in the new order. The European orientation to labour relations, that includes the corporatist model and collective bargaining, has been replaced by an American orientation that sanctifies maximal profits for the investors and treats workers in terms of cost and benefit rather than partners in binding social relationships (Bareli, Gutwien and Friling 2005, pp. 1-4; Cohen, File 2004; Haberfeld, Mundlak and Saporta 2003; Mundlak, 2004; Ram, 2004).

While in Israel the structural economic changes and their implications for labour relations are perceived as inevitable and unchangeable, the common perception in the European Union

is that social and economic dimensions cannot be separated, and consequently social values and responsibility are crucial elements in business management. Employee involvement or participation is one of these elements, and the opinion paper of the European Economic and Social Committee (EESC) considered it as a pillar of sound business management and balanced approaches to overcoming the [economic] crisis (Greif 2013). Hence, the aim of this paper is to find out how to reinstate the vision of worker involvement in the current Israeli context, after its diminishment in the public discourse during the past three decades.

Methodology

I will try to answer this question by referring to academic and professional literature and the findings from independent research that I have conducted among 20 workers' committees in the private sector in Israel from 2005-2009. I have used qualitative methods, mainly ethnographic, such as observations and interviews, which took place at work sites rather than in a sterile environment. My research focused on workers' committees, which are the direct representatives at the workplace of the workers and the union (Shirom 1983, pp. 113-154). My research focused on union matters and union agendas (Nissim 2011). Nevertheless, parts of the data I have collected can be used, projected and differently interpreted in order to anticipate possible chances and obstacles to employees' involvement in policy-making in the near future.

Employees' Involvement: Implementation and Problems

The vision of workers' involvement is usually translated into a variety of formal and elaborated arrangements that work together or apart: joint consultation, codetermination (in a joint board of directors or joint management), financial participation, joint Production Councils, workers' ownership of the business and self-management, and others (Globerson 1994). Employees' involvement can serve the interests of either employers or employees, and be can practiced either on the shop floor level or at the level of the board of directors.

Practices of employees' involvement can be authentic and satisfying; but they might also be a mere ritual, as in the case of Walmart where employees are named "associates" but not allowed to get organised (Peeples Massengill 2013). Vicki Smith (1997) has found that many common practices of employees' involvement (authority of workers to stop the assembly line, quality groups, workgroups and more) end up placing an extra burden and more responsibility on the shoulders of the employees, without delegation of rights, authority and significant influence on the decision-making and work processes in the company, and without fair remuneration.

Yet, practices of employees' involvement can also be effective. The German system is believed to confer a profound influence on the workers' voice and interests, especially in large enterprises or in particular branches like the coal or steel industries (Dribbusch and Birke 2012).

Thus arises the question: What can cause employees' involvement arrangements to fail? The first cause is structural. Even the best arrangement for workers (such as parity on the board) still gives the "final word" to the employers. Workers' do not gain equal control of business companies, no matter how democratic they seek to become and how successful is the experiment in terms of productivity. This trend is demonstrated in cases like the Polaroid Corporation in the United States (Edwards 1984).

The second cause is structural as well. Large organisations (business organisations, governmental organisations, trade unions and others) tend to become oligarchic regardless of their intentions. Oligarchic tendencies stem from conferring power on representatives when direct democracy is impossible. These delegates have a stronghold on the power, control the distribution of essential information, and exploit the apathy and alienation of the rank and file in order to turn the system of "organisational democracy" into an empty concept (Michels 2009).

The third reason for the failure of employee involvement is that these arrangements are static, and therefore tend to lose their validity and effectiveness with structural transformations, including changes in the modes of the market, the power structure, the technical dimensions of work, the structure of ownership of organisation, the structure of membership in the organisation, etc.

The fourth reason is the lack of a strong organisational culture of mutuality, which nurtures a common language and con-

sciousness of partnership, destiny, rights and duties (Glober-son 1994).

Guidelines for Successful Employee Involvement Arrangements in a Turbulent Environment and in the Israeli Context

What are the best ways to cope with the problem of failing employee involvement arrangements? I will introduce several suggestions with a common feature – their flexibility. Flexible arrangements can be adjusted and tuned to structural changes. Arrangements are flexible when they abandon the concept of "closed" and elaborated procedure in favour of general guiding principles that can be translated into detailed and tailored arrangements in specific companies, and can also be updated according to changes that occur over time.

I

The first step is to choose the most useful definitions of the key concepts. *I suggest adopting two general definitions of the European Economic and Social Committee (EESC).* First, The EESC defines the ideal *involvement of employees* as obligatory and consisting of practices like information sharing, consultation, and participation in company boardrooms. I also suggest defining that authentic employees' involvement is achieved when employees' perspective, needs and interests become part and parcel of the company's objectives and language. Second, the EESC uses the term "*sustainable company*" to describe an entity that is not solely aimed at yielding financial gains to the investors, but is also obligated to a "*multi-stakeholders approach*" that can define the multi-

stakeholders as the employers, employees, the authorities of the region, the environment and more (Greif 2013). This concept enables us to include different stakeholders in different cases. These concepts can function as criteria in order to build or evaluate particular employee involvement arrangements.

II

Given the dependency of any employee involvement in the support of the employers (Bar-Haim 2002), the essential following step is to have their consent. Israel labour relations already have a history of extensive worker participation, especially in the enterprises of the *Histadrut*. These enterprises were criticised for not being economically efficient, but they survived due to the *Histadrut's* political power. When the labour movement and the *Histadrut* lost their power, these enterprises lost their external support and collapsed (Greenberg 2005). Private business is dominant today in Israel and employers claim they remember what happened when workers were involved in running the business or when the unions' influence was robust. They assume that there is a contradiction between workers' influence and the stability and success of the firm. This claim was heard more than once during my fieldwork, but, on the other hand, my fieldwork also supplied the answers to this claim: The stewards of the workers' committees showed deep concern for the financial strength of the company, were aware of its condition and the challenges it faced in the market, and even supported management's intentions to lay off workers, if they were convinced that these measures were truly inevitable. Some workers' committee leaders referred to themselves as "the second wing of the airplane" (while management was considered the "first wing"),

and in rare cases even thought of themselves as "trustees" of the firm (when they thought that the investors and their representatives on the board were hostile to the firm and were trying to maximise their private profits at the expense of the enterprise itself). The conclusion is that employee representatives are constructive and eligible partners to management, and not necessarily rivals with contradictory interests. This conclusion is supported by other studies that demonstrate the positive effects of employee involvement on business: increased involvement of workers in factory matters, improved labour relationships, growing attachment of workers to the factory, greater employee appreciation of management, improvement of life-quality at work, better production rates in some cases (and no damage to the company's productivity in other cases) (Palgi 1992; Rosenstein 1990). *Therefore, my first guideline for the implementation of employee involvement in Israel is to embark on a campaign to convince employers of the trustworthiness of employees in the process, and the benefit the company would gain from greater employee involvement.*

III

Workers' involvement is not only based upon formal arrangements (that may lose validity as changes emerge) but also on the nurturing of the appropriate organisational culture. Arie Globerson (1994) underscored that democratic values could generate motivation for the success of such arrangements among employers and employees alike; and Aviad Bar-Haim indicated the importance of practices, norms and values of partnership (2002). Therefore, such a culture is crucial if we want to stick to the essence of these arrangements, prevent

their deterioration into ritualism or disguised oligarchy, or avoid "pseudo participation" (Pateman 1970). But, contrary to Aviad Bar-Haim's suggestion, I contend that such a culture should be more intricate than a mere nurturing of a sense of mutuality or partnership between employers and employees. It should also embrace the inner contradictions and tensions, and acknowledge the different and even clashing interests and viewpoints of the parties. This can be achieved by raising the awareness of the representative of each party about the theories, ideologies and language of the other parties. Walking a mile in the other side's shoes is a basic necessity for authentic partnership and encourages a democratic climate. Neo-liberal ideology was successful in its attempt to convince the public that economy and society are separate realms, and therefore only economists or professional business managers have the knowledge to run economic enterprises. Neo-liberal agents also persuaded the public that labour is a commodity, rather than a binding social relationship (Harvey, 2005). The outcome is that, in the current neo-liberal era, labour's voice is considered anachronistic and representative of narrow interests, whereas the employer's voice is regarded as professional, comprehensive, and representing the interests of the company as a whole entity. Therefore, in order to enrich the organisational discourse, I recommend *the second guideline - to embed in the involvement arrangements a socialisation mechanism that will nurture a dual culture among the participants, on the shop-floor level as well on the management or board level. Such a process will expose each participant to unfamiliar discourse and new specific knowledge. The owner's and management's representatives will be exposed to a body of knowledge that includes topics like industrial relations, la-*

bour law, labour history, social and political rights, and the pillars of social democratic ideology. The employee representatives, on the other hand, will be exposed to unfamiliar content, such as neo-classical economic theory and business administration, but they will also master topics like industrial relations, labour law and the pillars of social-democratic thought.

The impact of this mutual exposure is likely to be crucial for several reasons. First, writers like Yitzhak Greenberg (2005) demonstrate how the *Histadrut*'s self-owned companies tended to obtain poor business results, which were concealed and mitigated due to support from the umbrella organisation or due to friendly arrangements with the government. The all-too-common failures in business were explained by Grinberg as stemming from the neglect of business considerations in favour of national and class considerations. Another researcher, Michal Palgi (1992), studied workers' participation in companies that belonged to the Kibbutzim, and claimed that the lack of knowledge and skills in business administration and in economics effectively prevented workers' representatives from playing an effective role in running the enterprise. Contrary to this description, my research data showed that the stewards of workers' committees actually sought professional knowledge in order to better understand the firm's condition and to gain legitimacy and respect from the employers. Most of them were autodidacts who tried to obtain skills by reading the leading economic newspapers or official documents of the companies (such as reports that were submitted by the company to the stock exchange). Some of them sporadically took courses in diverse subjects, like finance, accounting and more.

Few committee chairmen hired experts to advise them on such matters or relied on fellow stewards who had the knowledge. One committee chairwoman even went to college in order to obtain full academic training in business administration. The conclusion is that they, too, realised a few things:

1. The interests of the workers as a group cannot be distinguished from the business results of the firm, and therefore representatives need to employ more comprehensive considerations when they articulate demands in the name of the workers.
2. In order to be capable of articulating comprehensive considerations, they need to master broader topics in the realms of economic and business administration.
3. They will be treated more seriously by the management and the employees they represent if they have this knowledge.

I also found that the stewards' knowledge of their role as employee representatives was mainly technical, while their working-class ideological discourse was quite limited. They mastered labour contracts and some of them also declared themselves to be socialists, but their worldview on economic and social issues was influenced mainly by neo-liberal or technocratic ideology rather than by social-democratic principles. For instance, one of the *Histadrut's* representatives urged committee stewards of a supermarket network to dismiss store managers from the collective agreement. He justified his request by saying that managers have to be "killers" in business and therefore individual contracts suit them better. This case

demonstrates the demise of social-democratic discourse and ideology even in one of its own strongholds – workers' committees. Hence, stewards should master not only topics that relate to economics and business management, but also topics that concern the labour movement – it is crucial for their class consciousness.

Why should representatives of the owners and management be exposed to topics like industrial relations, labour law, the history of labour, social and political rights, and the pillars of social democratic ideology? The answer is clear – to cause them to acknowledge the labour movement's worldview, principles, values, priorities and language. This could lead them to relate more seriously to the interests and perspectives of the workers, and would also strengthen the commitment of the employers to the process as a whole.

In this context it is important to point out that workers' representatives have already internalised much of the discourse of the employers. This was manifested not only in their ambition to master economics, business administration and accounting, but also in the way they perceived economic reality and, consequently, the goals of the workers. For instance, a chairman of one of the workers' committees explained that his duty was not to live in a dream world, and that a collective agreement was effective only if the company could afford it. Therefore, he advised other committee chairpersons to check the financial condition of the company and to adjust their demands accordingly. In another case in a steel products' company, the management demanded cutting labour costs by 20%, due to the economic world crisis that erupted at that time. The

workers' committee had an emergency meeting and, after a long discussion, came to the conclusion that laying off a few employees was inevitable, and therefore they channelled their efforts into providing those laid off with higher compensation. After few months the committee chairman told me that he rethought their position and recommended that instead of laying off 20% of the employees, each employee would give up one working day a week. This kind of approach was mentioned in at least one other company, where the committee sent a representative to the board in order to play an active role in any discussion about the company's financial situation and its implications for the employees.

To sum up, the evidence of workers' committee stewards proves that they embraced a discourse that was quite similar to that of management, even though they did not have formal education in economics or business administration. This discourse led them to establish a dialogue with the management. I believe that an obligatory educational program designed for employee representatives in a joint management position can strengthen their constructive role in the process. Furthermore, a complementary and obligatory program that will provide the employers' representatives with exposure to the needs and values of employees is crucial for the success of employee involvement. Without a deep understanding of the employees' point of view, interests and experience; the employers' role will be ritualistic.

A final remark about the required socialisation: its aim is to train the employees' and the employers' representatives via a

short and concentrated program, rather than forcing them to seek full academic training.

IV

So far I have discussed the need to have a broad and essential definition of the meaning of workers' involvement, to re-establish the legitimacy of such a move in the eyes of employers, and to nurture a supportive organisational culture. There remain two more crucial questions: Who are the employees that are entitled to be a part of the process? What is the role of trade unions in the process?

The question of who is an employee of the company was not a significant issue in the era of state-led capitalism and stable business corporations. Nevertheless, the rise of economic globalisation entails new forms of organisation (like "ad hoc-racy") and non-standard employment arrangements – employment by contractors, a shift from regular salaries to payment by hours, units, and so forth. Now the question of who is considered an employee of the company becomes important, and it especially pertains to the issue of those who are working for the company but officially employed by contractors.

Current business companies outsource certain activities to contractors. They do it by a few methods, like using manpower contractors, service contractors, buying services directly from workers, etc. The common ground of these methods is the definition of labour as a commodity rather than an obligatory social relationship. Another consequence is the fragmentation of the company that dissolves into the company's employees (who are often divided into a multi-tier wage system) and into workers who are not considered its employees, *de*

jure, but actually function as its employees, *de facto*. As was mentioned, this phenomenon is spreading world-wide, and in Israel it is spreading in an accelerating manner (Abraham and Taylor 1996; Herer and Harel 1998; Kalleberg, Reskin and Hudson 2000; Nadiv and Feldman 2010; Pensirer 2011; Rogers 1995; Tabivian-Mizrachi 2007). So far, the industrial relations system has had trouble coping with this new reality and new challenge. Employers, unions and the state are all accustomed to building their relationships on fixed and clear organisational units with solid definitions of the key terms. Consequently, the formal tools lag behind the current trends of the labour market and labour relationships. For instance, workers' committees in Israel are designed to represent the workers of the company. They do not represent contract workers, due to the fact that contract workers are not official employees of the company, and are usually considered temporary. But as these workers become “permanently-temporary,” they are left unrepresented, and with a growing numbers of workers and companies in this status it becomes a social problem that necessitates an innovative way of thinking. Workers' committees have employed several methods to handle this problem, like trying to put pressure on the company to hire some of them directly and leave others to be hired indirectly (Nissim and De Vries 2014). They have chosen a patchwork and ad-hoc solution. I suggest establishing an official and permanent solution to this problem. *I suggest that any fair-relationships procedure must define contracted workers as stakeholders of the company, and therefore invite them to participate in mutual management forums. I also suggest including in this arrangement other groups of workers whose interests are currently not represented – workers who are hired by the compa-*

ny but recognised as independent workers, workers of a multi-tier wage system and others. They will all be recognised as stakeholders in the company and therefore will be able to have a voice in its decision-making processes.

V

The last issue to be addressed in this paper is the role of the trade unions in future arrangements of employee involvement in Israel. The European experience proves that there are multiple options for giving expression to the workers' voice in the company. There is no unitary pattern to these arrangements. There are cases in which employee representatives on the board are indeed stewards of the union, but there are other cases in which employee representatives are directly elected by the employees without any intervention of the union (Conchon 2013). As mentioned before, the "golden era" of employee involvement in Israel went hand in hand with the hegemony of the labour movement, and the *Histadrut* as a core institution. Currently, neither organised labour nor employee involvement has any success in Israel; and in fact workers' involvement is hardly present as an institutional form and has hardly any public impact. The weakness of the labour movement and of organised labour raises the following questions: How can employee involvement be revived? Will the unions play a supportive or inhibitive role in the process? What will be the division of labour between the unions and the employees in the arrangements? I believe that employers prefer employee involvement arrangements over negotiating with unions, which are perceived as more intimidating, since employee involvement deals with a wide spectrum of issues and not solely the allocation of resources and power. *Therefore I sug-*

gest that employee involvement arrangements should operate differently in different arenas:

- 1. In unorganised companies, employee involvement will operate in two different ways - on the one hand, as involvement in task-centred missions on the shop floor, and on the other hand, as participation in the power-centred processes, like decision-making at the management or board level and allocation of resources (Clarke et al. 1972). This dual role will enable workers to participate in the navigation of the whole company as well as safeguarding their particular interests, without arousing objections from the employers.*
- 2. In organised companies, there will be a distinction between matters of the whole company (the vision of the company, strategies, technology, etc.) to be arranged by the involvement of employees who will not necessarily be affiliated with the union; and between particular matters of the workers as a group (like benefits, compensation, promotion, safety, etc.) that will be represented and dealt with by the union.*

I also suggest that the employee representatives in the code-termination mechanism will be elected directly by the workers and not nominated by the union; but if the employees have more than one representative on the board, at least one of them should be a union representative, in order to coordinate and integrate the employees and the union.

Conclusion

It is hard to sustain substantial employee involvement when the employers hold more power than the employees and their unions; and when companies are subjected to fierce competition and are therefore afraid to lose control and to open the internal processes to the influence of other stakeholders inside the company. In such a context, any elaborated procedures might be paralysed or distorted to serve the interests of the employers (for instance, only marginal issues are brought to the consultation councils and therefore employees lose their interest in this procedure (Emery and Thorsrud 1969)). Hence, it is better to have general guidelines that can be adjusted to different cases and needs, gain greater acceptance by employers, and be more effective. A few guidelines were mentioned. The first is to articulate a broad but clear definition of employee involvement. The second is to conduct a preliminary campaign that will use recent and relevant research data in order to convince employers of the necessity of the process, and the benefits they can derive from it. The third is to nurture a strong and mutual organisational culture in order to have the devoted involvement of workers and employers alike. The fourth is to include contract workers and other internal-external workers in the process, by defining them as stakeholders of the company. The fifth guideline is to reach a division of labour with the unions in order to act in coordination with them and not be perceived as stepping on their toes.

These guidelines have the potential to contribute to effective implementation of employee involvement in Israel, but they are incomplete and require further elaboration and research.

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Chapter 5

Worker Participation in General and the Case of the Business Sector and the Hi-Tech Industry in Israel in Particular

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Worker Participation

The following document will survey worker participation focusing on the definitions of the phenomenon, the main mechanisms of participation, worker participation in the private business sector – the case of hi-tech in the Israel labour market, conditions for sustaining worker participation and on recommendations for implementing worker participation.

Introduction

The topic of participation in the workplace began with the changes that have been taking place in the labour relations and compensation system in the labour market over the years.

An analysis of the workplace indicates that transformations are prompted by problems in three areas (Bar Haim 1979; 1986; 2003):

1. The problem of democracy in the workplace – In contrast to the basic situation of equal rights before the law on equality of opportunity in civil society, there is a lack of equality of rights and political opportunities for workers, as individuals and as a collective, in their workplace and in the employment system in general. Thus, although de-

mocracy, in terms of the principle of representative political participation outside the workplace, has been achieved to a certain extent, it is apparent that political representation in the workplace does not exist sufficiently; this has prompted attempts at democratisation in the workplace (Brown 1975).

2. The problem of alienation at work – The assumption of which Marx is the most prominent proponent, about the perception of the worker is not realised in the workplace. The absence of the meaning of Homo-Faber, man as a productive worker, and the lack of opportunity to be creative, interferes with the ability of the worker to fulfil himself and alienates him in the existing system of production. Worker participation is based on the hope that this will reduce alienation at work.
3. The problem of the effectivity of the work organisation and the labour force – The point of departure of this approach is that, in the interests of the organisation, it is worthwhile for the employer to introduce worker participation in order to increase motivation and productivity at work, not only for the benefit of the workers.

Similarly, until the end of the nineteenth century, most non-professional workers were employed in slavery or slave-like conditions. To put it another way, in many cases they sold workers and not work (to a certain extent there was a return to this approach at the end of the twentieth and beginning of the twenty-first centuries). The characteristics of labour relations were derived from the following changes:

- a. **The characteristics of the industrialisation process – the end of the nineteenth century and the first quarter of the twentieth century. Separation between owners and workers:**

The separation of work from the ownership of the means of production brought about the need to determine the distribution of compensation between work and capital.

The search for the "golden rule" met with failure. Therefore, a specific search was needed in each case. (During this period, the market place began to offer work rather than workers).

The socialist-communist solution of Karl Marx of transferring the ownership of the means of production to the workers was successful for more than half a century, but thereafter it collapsed.

- b. **The managerial revolution – from the 1930s to the middle of the twentieth century.** The managerial revolution was characterised by the separation between the ownership of the means of production and its administration, and the separation between them and the work resulted in the need to determine the distribution of compensation between capital, administration and work.

The search for the "golden rule" was not successful.

- c. **The incorporation revolution** – from the mid-twentieth century until the 1990s (especially after the Second World War and the second half of the twentieth century).

- **Ownership became anonymous.** There are cases in which the owners hold only a small proportion of the enterprise (even 5% of the shares can constitute a controlling nucleus).
- Those controlling the organisation and making the decisions do not necessarily have to be majority shareholders
- These owners determine, among other things, the compensation strategy of the organisation.

There is no clear rule about what is suitable compensation for each group. About a year ago, the law in Israel was changed and it now gives owners who are not decision makers special rights – minority rights. This is particularly important for the institutional organisations especially with regard to executive and owner compensation.

d. The revolution in the institutional companies

A high percentage of owners belong to institutional bodies (pension funds, trusts/insurance companies): They do not own the capital, nor are they managers or even workers in the organisation. They are external to the organisation and are largely anonymous. Ownership of the means of production is carried out by means of shares and not physical or real human assets. Today in the labour market there is a renewed phenomenon of trading in workers rather than in work just as there was in the eighteenth century – this is undertaken mainly by means of

manpower companies, workers without rights, and negation of laws intended to protect workers and organisations.

There is no clear rule about the appropriate division of profits between the proportion due to the owners, representatives of the owners (institutional managers) and the workers.

The ownership revolution and the sharing of compensation between workers, owners and management has changed the system of labour relations in the labour market and has emphasised the need for workers to be involved and participate to varying degrees in their workplace: in management, decision-making processes, profits, and so on.

Definitions and Central Assumptions about Worker Participation

The term worker participation has been used a great deal, however, various scholars attribute to the term different contents, meaning and implementation of participation between management and workers. One possible reason for this is the existence of a varied range of systems that are expressed in the notion of participation. Another possible reason is that the goals of participation developed on the backdrop of significant transformations in the system of labour relations, and in the wake of wide-ranging changes that took place in the workplace with regard to its structure and operations, as well as in workers' approach to the question of their status and

rights. According to Overbeck (1984), worker participation refers to the participation of workers or their representatives in determining goals and in the process of decision making in the enterprise. According to French, Israel and As (1960), participation is the process in which two or more parties influence one another in policy planning and decisions.

One assumption underlying worker participation is that participation is likely to simultaneously advance the goals of the worker and of the organisation (Shirom 1983; Bar Yosef 1977, and others). Blumberg (1968) views participation as assisting in increasing workers' identification with their place of work and their commitment to it, and is a means of improving the social environment, reducing dissatisfaction, alienation and stress at work. He assumes that organisational performance such as turnover, absenteeism, worker-employer relations and the social climate will improve as a result of participation.

Strauss and Rosenstein (1970) feel that the ideas concerning worker participation in management and work represent a combination of diverse and varying values, goals and expectations (Walker 1972). According to Bar Yosef (1977), the experience and empirical research that have accumulated still do not confirm these expectations. Indeed these studies have raised doubts (Haim 1975; Wagner 1994).

With regard to the positive effect of participation programs on production and contentment, an analysis of the new studies shows that participation can have a real influence (Wagner 1994) compared with previous studies of satisfaction, production and contentment, but the extent of this influence is small

and raises doubt as to the real benefit of worker participation in management and work. Erez (1990) emphasises that there are no uniform findings about the results of participation and that literature reviews conducted in recent years sometimes reach contradictory conclusions.

Goals of Worker Participation

The International Labour Organisation and Ben-Yisrael (1976) consolidate all the goals into three clusters:

1. Ethical goals – neutralising the antagonism of the worker to his job, providing a human character to the job, and instilling new content into the position.
2. Social and political goals – the intention is to integrate the worker into his workplace; that is to bring about industrial democracy in its most basic form: combined management by worker representatives in the institutions of the enterprise. Participatory management through negotiation or other variations is also possible.
3. Economic goals – increasing productivity and production as a result of introducing participation.

Palgi (1984) mentions two general goals for introducing participation:

1. The political goal – the main purpose of this goal is to equalise power in the organisation and in society, to prevent alienation of the individual from the organisation and from society. This approach implies the need for change in the social and organisational order which is long-term.

2. The motivational goal – its main goal is to increase the motivation to work, to invest in the organisation, to take the initiative at work and to improve the sense of belonging. This goal does not necessitate a radical organisational change, but rather emphasises the change in attitude to the worker.

Strauss and Rosenstein (1970) enumerate several reasons to adopt worker participation:

1. Ideological reasons – Bridging between centralised management and socialist ideals of participation and equality.
2. Instrumental reasons – Resolving conflicts between the management and workers, increasing productivity, improving workers' satisfaction, improving labour relations and motivating workers, especially the educated ones to join the organisation.

Erez (1989) draws a similar distinction between worker participation as a way of life and as an approach that assists in self-determination, autonomy, realising achievements, and developing an independent identity and the pragmatic approach that assesses worker participation from the point of view of profitability.

Mulder (1973), Coates (1968), Clegg (1960), Poole (1978) with their political approach seem to raise the concern that use of the system of participation is liable to be interpreted as manipulation on the part of management (Locke and Schweiger 1979) concealed from the workers. Some of the researchers of the motivational school also refer to concerns in a different

sense: they are concerned that the managers of the organisation might lose some of their influence and power thereby resulting in a reduction in work efficiency.

The motive for introducing worker participation in management and its goals may be summed up in the following aspirations:

1. The aspiration to improve the quality of work life – the assumption is that participation will change the role of the worker, reduce alienation and increase involvement in what is taking place in the workplace.
2. The aspiration to introduce democratic processes, accepted in the political system, into the system of labour relations. This goal assumes that workers are able to and wish to have an influence on what takes place in their workplace.
3. The aspiration to change the social order – removal of barriers and social alienation that occur between the various ranks in the organisation.

Models of Worker Participation in Various Countries

Sagi (1999) notes the perceptual difference in participation within various cultures. In American culture, participation is a matter of one on one – one manager in relation to one worker – whereas in the European tradition and in Israel, participation is perceived as a value in its own right and is carried out through decision making with worker participation, with the

mediation of works committees and the trade unions. To put it another way, the implementation of the methods of participation differ in the various countries of the Western world (ibid.). But the difference between the perceptions is also the result of the level of institutionalising the subject in regulations and legislation or in its lack of establishment in laws and regulations.

The most highly developed model and the most advanced labour participation model is the German model. This model was mentioned in detail already. However other models regarding labour participation exist in various countries:

In Sweden there is a law delineating three levels of participation in management: providing the workers with information, consulting with the workers, and joint decision making. The law obligates senior management to transmit current information to the union and to consult with the works committee on the fate of a worker and about any material change in his conditions of employment. The system of participation is not the same in every organisation and is determined by the management together with representatives of the workers.

In Denmark there is participation in ownership resulting from the law on worker participation in management which was enacted in 1974. Workers are entitled to receive part of the profits of the enterprises and to pensions. Various investment funds to which managements allocate money for the benefit of the workers invest in establishing other enterprises, for example; other investments require worker participation in management in general, in the general meeting and in the board of directors.

In England, workers are represented by trade unions which have representatives in the workplace. In recent years, legislation has been developing on this topic, but it is less advanced than in Germany.

In the United States and in Japan, this subject is less developed in terms of legislation and regulation so that there is no obligation for workers to participate in management or decision making. Nevertheless, methods of worker participation in decision making and profit sharing have developed which promote attainment of goals.

In the United States, methods of participation were developed in the wake of the Hawthorne research studies and with the rise of the human resources and human relations approach and based upon the rationale of these ideas.

In Japan, participation methods developed as an outcome of an organisational culture of participation, of team work and of concern for the individual/worker as an element of Japanese culture in general and of the business and organisational culture in Japan which is derived from Japanese culture. These systems are quality groups, improvement teams, quality circles, and so on.

The Israeli Model

Worker participation in Israel

In contrast to the European countries in which there is a law on worker participation that compels management to involve workers to different extents in administration, management,

and decision making, in Israel the issue of worker participation is not established in legislation and regulation. Prior to the establishment of the State, attempts were made at worker participation, deriving from the *Histadrut* General Federation of Labour sector and from an ideological perception. The *Histadrut*, as an employer in the framework of the Society of Workers and the corporations which it controlled and based on national and social ideological motives, attempted to advance the status of workers and labourers and to encourage them to exert influence on their organisations. All this continued until the dramatic turnabout in 1994. This was undertaken by the division of worker participation in management of the Executive Committee of the *Histadrut*. Three main models of worker participation developed in *Histadrut* organisations in Israel: the workers' committee whose role was to represent the interests of workers before the management, transmission of information from workers to management, and combined management. Joint Production Councils: These constituted an advisory body of workers and managers which made decisions based on a majority of those present from each side and whose decisions were conveyed as recommendations to the workers' committees and to the management; however, in practice, the goal of worker participation in managerial processes was not achieved and they focused on determining production norms and bonuses. Joint management: This is a format whereby workers are represented on the board of directors with the chief executive officer being the chairman. That is to say that below the joint council there is the operative management. This was tried out at the factory level of the entire concern. These attempts at worker participation were undertaken starting in 1964 and as the economy became pri-

vatised, they are in use less and less. This is also a consequence of global management, privatisation, and because today the market is an employers' market. As a general rule in the study conducted in recent years by Vigoda (2012), it was found that there was a decrease in the number of firms in Israel in the public sector employing worker participation in decision making (Vigoda 2012). With world globalisation, the rise of privatisation of firms and the increase in private ownership, there has been less worker participation of the traditional type introduced by the *Histadrut* sector.

In addition, many **developing countries** such as Pakistan, Thailand, and Zimbabwe have adopted legislative initiatives with a view to integrating workers' councils or similar structural arrangements in their organisations. The link between these councils and the trade unions and negotiation has been the subject of legislation and negotiation. The mechanisms they use differ, making it impossible to survey them in their entirety. The main forms will be surveyed below and these include the historical example of self-management by workers in Yugoslavia, for example, which are relevant today: joint safety, health councils.

Forms of Worker Participation

There are several types of participation (Ozaki et al. 2011):

1. **Participation in decision making**: This developed in Europe in places where there was real negotiation in the industrial branch. This left a gap of representation at the level of the factory which was filled by bodies such as councils, works committees, entrepreneurial committees and so

on in order to advance the system of relationships between the management and the workers. Their relationship with the trade unions was such that their roles differed from those of the unions and did not undermine their status. The types of participation in decision making vary and range from informal mechanisms for cooperation on these or other issues between management and workers, to formal mechanisms such as involving workers' representatives and so on. These can also be divided into direct and indirect participation, as follows:

Direct versus indirect forms of participation

Indirect worker participation refers to participation by means of trade unions or workers' committees. Direct worker participation refers to workers who take part in decisions associated with their jobs, not only through the unions or quality circles but at various junctures in the workplace, on the individual level such as by means of suggestions for improving efficiency or enriching the job. This could also be conducted on a group basis, for example, in quality activities or other similar team activities. Direct participation could be either consultative or deliberative; a study by the European Foundation for the Improvement of Living and Working Conditions studied this aspect in detail (Gill and Regalia 1996). In consultative participation, workers are encouraged either as individuals or as members of a group, to make their opinions known, but it is up to management whether to accept or reject their suggestions. In deliberative participation, on the other hand, in some locations the responsibility for managements rests

with the workers, as in the case of teams of work groups or semi-autonomous teams in which some of the authority to accept decisions has already been allocated to the workers.

Works councils and similar structures – joint decision making

The term "councils of work teams" depicts a form of established representation of workers' interests within the system at the level of the factory, although they are to be found at higher levels too (such as, the company, the industrial group of companies, and, in Europe for example within the European Union.) The link between them and the worker's committee in some of the European countries is regulated by law or by means of another agreement after negotiation in other countries—but there are always tensions between them. Intensive use of workers' councils is called, in various countries, works committees, and participatory committees and is implemented in Europe in countries such as Belgium, Denmark, France, Germany, and Holland. In these countries, there is an option to extend this to cover large organisations as a form of participation. Some Central and Eastern European countries like Hungary and Poland have passed legislation to promote the creation of work councils. These are also to be found in some African, Asian and Latin American countries. Part of the reform in labour laws in post-apartheid South Africa, for example, involved the creation of work councils alongside trade union structures. In other countries in Europe, such as Austria, there is much interest, backed up by treaties, in in-

roducing work councils or works committees as a means for giving workers a voice at the level of the workplace.

Quality circles and managing quality

At the beginning of the 1980s, and even earlier in the United States, the focus was on the quality of working life or QWL at the beginning of 1970. Later this spread to other countries in Europe, such as Germany and Sweden, and there were still limited plans in which groups sharing the same project used this method as the dominant means to cope with work in the organisation (Ozaki 2011). Quality circles began in Japan with the perception that the ability of the Japanese to manufacture novel, cheap products of high quality depended on the human resources in the country. In general, Japanese managerial culture supported team work and concern for the other. Quality circles and improvement teams are an expression of these norms too, for Japanese organisation and business culture was derived from Japanese culture. In other words, these elements permeated the culture. Quality circles are usually expected to create two kinds of effects: one is the enrichment of quality and productivity and the second is the fostering of cooperation in decision making related to work that leads to an increase in satisfaction. Quality circles and the like were implemented in large companies in Western Europe, such as England and France, which had better labour relations. In Japan, the emphasis was on the first aspect and in Europe and North America the focus was on the second aspect. Today the emphasis in quality circles is on strengthening productivity and competitiveness (Ozaki 1996). It was

these practical circles that led to the formulation of Total Quality Management (TQM), which in certain ways has implications for worker participation. TQM promotes expansion and enrichment of a job and produces semi-autonomous work groups as well as horizontal coordination within the enterprise – for example, use of intra-departmental ad hoc project teams with multiple tasks.

Joint project teams

These groups for the presentation of technological or organisational changes, by means of combined efforts on the part of managers and workers, are traditional aspects of labour relations in countries like Sweden. Under normal circumstances a joint project team includes managers, union representatives, workers on the production floor, and external advisors. Management and the union establish these groups separately for 4 topics: training, work environment, worker organisation, and innovative technology. The Swedish model of these groups serves as an example of direct participation of workers on the shop floor (sales, service) within the framework of organised labour relations. Aside from Sweden, this practice is also used in Japan, Germany, and elsewhere (Ozaki 2011).

Semi-autonomous groups and team work

These are forms of direct on-line participation of workers on the shop floor for decision making linked to the job. This is in contrast to the joint project group which is a form of off-line worker participation. The main difference between the two kinds of participation lies in the level of

autonomy which the members of the team enjoy in managing their jobs. Semi-autonomous groups for the purposes of participation are used in Scandinavia and Europe, although there has recently been a return to more traditional approaches. When experiments with semi-autonomous groups decrease, team work expands rapidly in Western countries (Ozaki 2011).

Worker participation in oversight of the directorate

Indirect participation: worker ownership of the company or worker representatives on the directorate is also considered a form of participation. In European countries such as Germany and Scandinavia, among others, the workers have indirect participation aside from suggesting initiatives through the participation of worker representatives in the board of directors/directorate. This goes beyond the representation of unionised workers in the company's traditional management councils, where these workers are in the minority (although, sometimes, as in Germany, they may have extensive representation in these bodies). The significance of participation here is not practical participation in management, and worker representatives have the same status as members of the board of directors/directorate. This means that they place the interests of the company at the top of their list of priorities and they are committed to the same obligation of secrecy about what takes place in the board of directors/directorate as other members of the board/directorate. Holding a position on the board/directorate facilitates access to information and, for that reason, committees/trade unions are interested in hav-

ing their members obtain positions on the board/directorate. Worker participation in this manner is found in Eastern and Western Europe and North America but is rare in other countries (Ozaki 2011).

Health and safety committees

A special form of worker participation is expressed in the development of health and safety committees and health and safety representatives. Laws in several countries constitute the basis for establishing these committees and representatives (for example, in Belgium, provinces of Canada, Denmark, France, Holland, and Sweden). Smaller as well as larger companies sometimes tend to establish health and safety committees at their own initiative. Furthermore, there are many collective agreements that have led to the establishment of committees like this and to assign health and safety representatives (for example, in Canada and the United States). Often, collective agreements reinforce the legal authority granted to representatives in the field of safety and health. The committees and their representatives are subject to change in all matters relating to their relationship with the trade unions and the boards of directors on the subjects of elections or appointments, their jobs and their functions and their influence. As a type of involvement of workers in the professional field of health and safety, these committees and their representatives are likely to be a contributing factor in improving work conditions and the labour relations climate. They are most successful when they form an integral part of management's safety and health program, when they have ac-

cess to adequate information, involve workers of various ranks in the organisation, when they have their own activities, so as to ensure continuity and have the backing of government oversight on efficient work. When workers have strong employment security or have safety advisors, this is likely to result in worker participation in safety and health committees. A study carried out in Britain, for example, found that joint advisory committees including all worker representatives in the unions significantly reduced injuries at work as compared with programs set up by management that did not include worker participation (Reilly, Paci and Hall 1995). They even reported that these joint advisory committees played an important role in places where workers' representatives are appointed by other methods. Nevertheless, other studies have shown that joint health and safety committees have not achieved worker participation. The reasons suggested for this vary: insufficient support from management, participants were not suitable, workers had insufficient power in relation to management, and so on.

The health and safety representatives are likely to be appointed by management (just as in many workplaces in which there is no trade union) or by the trade union (as in Britain) or they may be chosen in direct elections by the workers in a factory or by a higher echelon in the labour organisation (as in Denmark). A parallel system makes use of workers' representatives on health and safety committees jointly conducted by managers and workers, although there may not be equal representation of both sides. General institutions for representing workers are frequently

supplemented by special representative structures for health and safety (as in Spain). The selected mechanism often reflects the existence of other labour relations institutions in the country: In France, for example, fellows who are members of committees on labour conditions, safety and health are appointed by representatives selected from the workers' committee on worker representation. In Germany, members appointed by the council are among those taking part in the committee on health and safety. The strong correlation, if not a complete identity, between representatives of the trade union and representatives of health and safety, is usually considered desirable in countries like Quebec (Canada), Ireland, Norway, and Sweden, but where trade unions are not well-populated, there is a risk of negating representative rights in relation to the large quantity of workers dealing with health and safety.

Representatives for health and safety of workers usually enjoy the following rights: In order to gain access to information about health and safety and the introduction of new technology related to these matters, the representatives must be involved in conditions of work, must accompany the inspectors (this is often referred to as the "right to wander around", must be involved in investigations of accidents and must make recommendations to management about improving work conditions. In some countries, their authority extends beyond the right to participate in decision making, to initiate examinations and investigations of accidents, and to examine management's reports to the government. Most important of all, health and safety representatives of some of the workers are authorised to give

orders about stoppage of a very dangerous activity (called "red labelling"), as in Denmark, Finland, Norway, and Sweden. Under certain circumstances, as in France and some provinces of Canada, they are directly involved in enforcing health and safety regulations. Prior consultation with the joint committee is sometimes essential before an employer can introduce a significant change in health conditions, safety or conditions of work and so on (as in France and Holland). In Belgium, health services in a company/organisation fall under the control of the joint committee. In Italy, the role of the committee includes advancing prevention, and in Greece, the health committee of the workers' representatives for health matters can, in co-ordination with employers, call for an expert opinion on subjects of health and safety. In summary, the trend today is definitely in the direction of worker participation in health affairs. The extent to which they are effective, on the other hand, depends on a broad range of variables in the particular labour relations system and on the strategic approach attributed to health and safety in the workplace (ibid.).

2. Participation in management

Over the course of the years, two types of worker participation in management developed—indirect (representative) participation and direct participation.

Direct participation: This refers to the involvement and influence of the worker on his workplace and about his workplace. In practice, direct participation is expressed in three ways:

I. Practical involvement of the worker in his workplace, such as the problems in his workplace and the everyday job of the worker. This finds expression in his involvement in quality circles, improvement teams, independent teams set up in the workplace ad hoc or to deal with long-term issues, organisational citizenship (to what extent the worker invests his personal time without remuneration in his workplace, for example, in assisting with a departmental event, volunteering for this or that activity).

II. Ownership of part of the workplace/organisation by means of options and acquisition of shares

III. Self-management of workers: The workers manage the business by themselves. This is a method of decision making in the workplace whereby the workers themselves decide by means of direct democracy about various issues including even management issues in the workplace (on subjects such as behaviour to customers, general production methods, work schedules, division of labour, budget management, and more). This method replaces the traditional authoritarian method whereby a workplace is administered in a hierarchic manner, in which managers supervise the work of the employees, and have the right to give them orders about the way the work is conducted.

The process of converting the workplace into a venue that is run under self-management (a process also known as democratisation of work) can be achieved both through the initiative of the workers themselves (this is usually done against the will of the management and owners) and through the initiative of a management which views de-

mocratisation of the workplace as an advantage. A process of this nature can have various goals such as increasing workers' satisfaction, improving workers' performances, improving labour relations and increasing the likelihood of industrial peace, quality changes in the entire company or in part of it (Rosenstein 1989).

Examples of workplaces operating under self-management of workers used to include the factories and farms during the civil war in Spain, the soviets in Yugoslavia under the government of Josip Broz Tito, the LIP factory in France in the 1970s, and today include Worker-Recuperated Enterprises in Argentina, the Mondragon Cooperative Corporation in Spain, the American publisher, AK Press, and more (Gupta 2012).

Self-management is usually the model used in participatory economic organisations such as workers' cooperatives, workers' councils, the economic model, participatory economics, and other forms of organisation in which the workplace functions without a manager. The difference between the workplace under self-management and the cooperative is that many cooperatives, despite being owned by the workers, maintain a hierarchical model of work, in which only the board of directors is chosen in democratic elections. In contrast, in workplaces operating under self-management, crucial decisions are made in democratic ways by all the workers, and not by professional managers; in many cases the workers decide that all workers should get equal pay.

Critics of the method argue that consulting with all the workers on every subject wastes time and is, therefore, not efficient. In practice, however, only important decisions are made by all the workers at the general assembly meeting, and more minor decisions are made by those who put the important decisions into effect, operating in coordination with other bodies, and in accordance with general agreements that were reached cooperatively

In **Israel**, the notion of democratisation of work developed even before the establishment of the State. Kibbutzim, cooperative Moshavim, workers' Moshavim and the establishment of cooperatives are a significant indication of the idea of democratisation of work in Israel.

Naturally, the *Histadrut* General Federation of Labour was the focus of activity directed towards self-management in the workplace. Initiatives like Production Councils, joint management, as well as worker participation in the boards of directors of *Histadrut* companies were expressions of these processes. Similarly, the establishment of the Division for Industrial Democracy was an outcome of this process. However, despite the preoccupation with the subject of participation, in the end, most of the attempts to promote worker participation in management of the workers' society failed. The process almost came to an end with the crisis in the *Histadrut* economy at the end of the 1980s (Gupta 2012).

The latter part of the twentieth century and the beginning of the twenty-first century witnessed an accelerated collapse of the notion of self-management. Many kibbutzim

became community settlements, and in most of the others, a hierarchical management and differential pay were introduced. Cooperatives were transformed into limited companies, and their members became employees of the companies. In France and India too, for example, self-participation gradually became less effective (ibid.). In Britain there is partial participation and there are also conditions for participation, but in France and Italy real participation par excellence does not exist. This is in contrast with countries like Germany and the former Yugoslavia in which the subject is firmly defined in the statutes or like Norway in which pressure is being brought to bear in relation to worker's rights. In countries like Sweden, Holland, and Denmark there has been some thought about passing legislation to improve worker participation. In the United States, it is undisputed that collective negotiations are not an alternative to worker participation. These are different and their scope and function are also dissimilar. Collective negotiation is likely to be useful as a tool of industrial democracy and is predominantly in use in the United States. That is to say that formal worker participation and a formal system of communication are heavily emphasised in American industry (Gupta 2012).

IV. Informal participation: This is largely dependent on interpersonal relations. Thus, a manager who is on good terms with his subordinates will involve them and consult with them with regard to various decisions, even if there is no formal policy of participation. In this way, the manager is perceived as being participatory although the final decisions still rests in his hands.

Indirect participation (representative): Workers choose their representatives/ workers' committee from among all the workers and, in practice, the committee determines and implements the participation in relation to management. This is also called formal participation. It is based on sources of formal legitimacy such as national or sectorial contracts, laws or explicit written policy in the workplace (The New *Histadrut* and the Association of Industrialists, Report 2003).

3. Economic/Financial Participation: Participation in Profits (Participation in Shares/Ownership of Companies).

Employee ownership takes several forms, from full cooperatives through "regular" companies, some of whose shares and sometimes even the majority are owned by the workers and up to companies where incentives given to workers include shares of the company (Employee Stock Ownership Plan – ESOP) (Ehrlich 2006). Sometimes workers are able to gather sufficient capital to buy a firm when the alternative would be for it to close down. Worker participation in ownership of a company is part of a wider trend of financial participation. In other words, participation of workers in the achievements and profits of the company is carried out by means of bonuses and incentives for enhanced job performance and by involving them in decision making in the company (democratisation of work) through worker committees and the like (Bar Haim 2003). Martin and Osberg (2007) view this as a combination of goals of social justice and business goals.

The rationale behind the model of worker ownership is that involving workers in ownership has a beneficial effect on their economic and personal wellbeing, increases motivation and loyalty and promotes involvement, innovation and internal initiative. In the same manner, if a worker is financially identified with the organisation, he will work hard towards making the company succeed, or will contribute his part in its success. Important variables are the manner of participation (rights on return on investment or controlling rights), level of participation (amount and dates of return on investment), and reasons over and above participation in business profits.

This model constitutes an excellent solution for business continuity in small and medium enterprises (Lowitzsch 2008). These kinds of participation are extensive and common in Europe and North America and today participation in shareholding as a form of worker participation in the workplace is expanding more and more across the world.

There are studies that indicate that economic participation of workers is likely to have a positive effect on the rate of employment and professionalization of workers. It is even likely to improve the stability of the business, to incentivise the labour market and to promote growth in the economy (Poutsma 2001). It also has the power to reduce economic disparity and to prevent the concentration of capital in just a few hands, and even increases social solidarity and healthy economic development in a way that is more suited to a capitalist economy than raising taxes (Perlman 2010).

Worker Participation in the Private Business Sector: The case of Hi-Tech in the Israeli Labour Market

It is apparent from the above survey that worker participation takes many forms. The literature points out that **worker participation in the business market in Israel has not been studied much** and that worker participation has only narrowly succeeded in its role in commercial companies (Kochan 1990).

In Israel there is no legislation like that in Germany that obliges companies in general and even private ones in the business market to adopt worker participation. This contrasts with the flourishing of this field in Germany and its institutionalisation in regulatory measures. But the survey and practices in the field show that there are several relevant models in the business market and these are more liberal (not anchored in statutes):

1. Participation in decision making:

Forms of direct participation

- Workers participate in decision making at various junctures in the workplace
- On the level of the group – Within organisations improvement teams, quality circles, joint project groups, semi-autonomous groups and team work are set up.

- Consultative participation – Workers are encouraged as individuals or as members of a group to make their opinions known, but it is up to the management to accept or reject their suggestions.
- Deliberative participation – On the other hand, in some places the responsibility for management devolves upon the workers, as in the case of groups of team work or semi-autonomous teams in which part of the authority to make decisions is already in the hands of the workers.

2. Participation in management

Direct

In some organisations, such as new business enterprises, new start-ups, self-management by workers can be relevant, for workers frequently run the company themselves. A company has a very limited number of workers and the workers themselves decide, by means of direct democracy, on various issues among which are managerial matters in the workplace (subjects like behaviour to customers, general methods of production, work schedules, division of labour, budget management, and more). This method replaces the traditional authoritarian method in which the workplace is run hierarchically with managers supervising the work of workers, and having the right to give them orders about the method and content of their job.

The process of converting the workplace into a venue that is run under self-management (a process also known as

democratisation of work) can be achieved both through the initiative of the workers themselves and through the initiative of the owners who view democratisation of the workplace as an advantage. A process of this nature can have various goals such as an increase in workers' satisfaction, improving workers' performances, improving labour relations and increasing the likelihood of industrial peace, changes in the quality of the entire company or in part of it.

In workplaces with self-management, crucial decisions are made democratically by the workers and not by professional managers and in many cases the workers decide that all workers should receive equal pay.

The latter part of the twentieth century and the beginning of the twenty-first century witnessed an accelerated collapse of the notion of self-management. Many kibbutzim became community settlements, and in most of the others, a hierarchical management and differential pay were introduced. Cooperatives were transformed into limited companies, and their members became employees of the companies. But in venture companies and small start-ups there was an attempt to adopt this model at the outset.

Informal participation

This is widespread in private businesses and hi-tech companies.

This pattern of participation is largely based on interpersonal relations. In this sense, a manager who has good relationships with his subordinates will involve them and con-

sult them on various kinds of decision making, even though there is no formal policy of participation. The manager is perceived as participatory, but the final decision still rests with him.

3. Economic/financial participation: Profit sharing (participation in shares/ownership of the company)

This is very suited to business enterprises, but in practice is not often used in business enterprises for all the workers but rather among senior management. There are some hi-tech companies in Israel that permit participation in ownership for all workers where each worker has different options and a different share price. There are other hi-tech companies that do not permit ownership participation for their workers, not even for the developers. On the contrary, ownership participation is widespread among start-up companies. Similarly, adapting the interests of the company to the interests of the workers and reducing the conflicts of interest between them is likely to prevent the focus on profits of random investors while taking risks and causing harm to the company in the long-term (Rosen et al. 2005). Therefore, economic participation of workers is likely to maximise the return on workers' investments and those of the investors too.

Worker ownership and economic participation also affect the overall organisational behaviour in the company, the goals of the company, its values, long-term performance and its organisational culture. It is even likely to improve the transparency of the management of workers and the job, involvement and responsibility of workers; it may con-

tribute to competitiveness, to improving quality of working life, and to the optimal use of the labour force (Perlman 2010).

Summary:

In American culture, participation is undertaken one on one, one manager in relation to one worker -- direct participation in which the worker is involved in decisions affecting him, and is carried out under informal agreement. Participation in European culture (and in Israel) is perceived as involving groups of workers (not just one worker) on the part of the manager, often with the mediation of the workers' committee or the trade union, and decisions are made, for example, by vote.

American culture views the reasons for participation as largely business-oriented, for the benefit of the organisation, to achieve quality, goals, to increase productivity and profitability. In Europe, participation is perceived as a value in and of itself that will advance society (in the broad sense) and culture, and not only as a tool to advance the goals of the organisation.

The absence of participation is also viewed differently. In American culture, the absence of participation is expressed, for example, in the situation in which a manager explains and tries to persuade the worker in a friendly manner, works on his rationale and tries to "sell" him what he must do. In Israeli culture, absence of participation is expressed in giving orders to the worker without explanation.

In Israel, the European model is dominant in the older, large and union-organised enterprises with a low level of technology, while the American model is dominant in hi-tech. In Israel, the kibbutz method is also prevalent – a unique form of self-management by members of the kibbutz, although this has become more limited over the years. But in the private market in general, and in hi-tech in particular, there are other types of participation, such as that of the developing countries, Japan (quality circles, work teams, etc.) and to an extent (ownership participation) the Eastern European bloc.

Various Disadvantages of Worker Participation in Hi-Tech

At present, given the increase in globalisation, international business connections, mergers, acquisitions and the rise of multi-national corporations, there is an increase in the likelihood of a misunderstanding in the sphere of worker participation in decision making between organisations connected to one another, but which have different cultures. This misunderstanding may be expressed when managers from one country are appointed to manage the organisation and local employees of a subsidiary in another country, and the misunderstandings and alienation grow enormously.

A foreign employer in a subsidiary tries to implement values, perceptions, management methods and techniques from his own culture, but usually conflicts and clashes develop with local values. This is the backdrop for the development of various behaviours, for example, the apparent adoption by the manager of local participatory customs which may seem to be

alright, but, in practice, this does not work – the participation does not bring about better decision making and increased motivation. At times the reverse may obtain, because the locals really do not understand and do not grasp the foreign manager's type of participation, which is perceived as officious and not cooperative.

A tool or behaviour perceived as participation in one culture may not be perceived as such in another culture (Sagi 1999).

In the same way, worker participation and worker participation in ownership is liable to slow down the decision-making process, to make implementation of necessary structural change more difficult, and to make it harder to adapt the business model to changing circumstances and to make it more difficult to find public financing. Furthermore, giving ownership to workers by means of shares in the company means that the workers' savings are invested in the company for which they work and through which they earn their living – this is liable to arouse conflicts of interest and to increase their economic risk if the company fails (Williams 2008).

Conditions for Maintaining Worker Participation in Hi-Tech

Legislation/regulation and government involvement – whether there is regulation of this topic or not

Institutional milieu – whether there is a trade union and its power over this topic

Type of organisation – whether this is a private organisation or operated in the civil service

The perception of the owners of the capital (owners of the organisation) – whether it is worthwhile involving workers in decision making, management or profits

Management style and manager's personality – the effect of the personality of the manager in his connection with the workers

Organisational culture – appropriate organisational culture that promotes worker participation

Local or international company and local/international management: ability to adapt to cultures for organisations in various countries with regard to the same job

Organisational and business milieu –it should promote participation

Economic milieu – positive

The culture of the country – from which the organisational culture is derived

Recommendations for the Implementation of Worker Participation in Hi-Tech Companies:

- To assist founders/ capital owners to understand the contribution (economic, social, etc.) of worker participation for improved functioning

- To create a working environment that involves workers – team work, quality circles, improvement teams, ad hoc teams, and so on
- Worker participation in decision making is a motivational tool because workers involved in decision making and in formulating organisational policy are also interested in ensuring decisions are carried out
- Workers should be given the opportunity of advisory participation
- Managers should be trained to promote informal participation in decision making and management processes
- Strengthening internal commitment of workers, innovation and internal initiatives by establishing goals and management by objectives
- To ensure transparency in work processes, decision making, etc.
- To promote innovative processes and involvement of workers in the company
- To encourage/ enable economic participation as an important element in modernisation of management processes of workers and jobs – possibility of participation in ownership/ shares for workers. This is likely to result in transparency in management methods and to contribute, on the macro level, to competitiveness, improvement in quality of working life, and better use of the labour force (Perlman 2010).

Epilogue and Practical Application of Worker Participation in Hi-Tech

In order to ensure cooperation between the workers and the management of the civil service, to improve the efficiency of the public service, to raise productivity in offices, institutions and enterprises in the civil service, an agreement has been reached between the Civil Service Commission and the *Histadrut* General Federation of Labour in Israel, to establish joint councils for productivity and manufacturing that will be called The Central Committee for Joint Manufacturing Councils in the Civil Service (hereinafter, the Central Committee). The parties to this agreement view the operation of manufacturing councils as means for expanding cooperation between the parties, for advancing and improving labour relations in the public service and for creating conditions for improving the quality of working life. Therefore, Israeli legislation on worker participation is limited and indirect and relates only to manufacturing councils in contrast to other countries like Germany and does not cover the business sector at all. The business sector in general and hi-tech in particular, in order to make worker participation into part of the management process, must first create a model of worker participation in the organisation based on organisational values that will primarily incorporate values promoting participation and will integrate a value system of promoting worker participation into the Israeli management system in general and into hi-tech in particular. On the basis of these values and in keeping with the spirit of these values, tactics for worker participation must be created (in the organisation: with regard to decision making; in man-

agement: with regard to ownership of capital) and thereafter practices of worker participation of the types mentioned above for each of these tactics. Over and above this, in research conducted for a doctoral dissertation by Kessler Ladelsky (2014), it was found that IT personnel, including the best of them, leave because of feelings of being undervalued, attitudes and evaluation, lack of treatment of them as clients and absence of cooperative feelings. In order to prevent IT personnel from leaving of their own accord, the recommendation is to create a policy referred to as internal marketing based on a model of internal marketing that suggests to IT organisations how to prevent the best IT personnel from leaving. The model suggests that hi-tech companies should create an array of values and focus on these values so as to prevent the workers from leaving, should nurture workers, to create commitment, loyalty and motivation by means of these values and tools such as participation, not only by means of material compensation and also to create objectives. To put it another way, the management and human resources departments should co-opt into the organisational culture values of participation, to relate to IT workers as internal clients just as they do to external clients and to integrate a model of internal marketing including involving workers in organisational processes by means of tactics and practices as delineated above.

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Chapter 6

Establishment of worker Participation in Sectors Where it Seems Unusual: The Example of SAP – Still a Challenge for Trade Unions in Germany

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General situation

Worker participation must be described within the context of the labour relations as a whole.

The three key elements of employee representation in Germany are a) the codetermination on company level in company organs (supervisory board), b) the works councils at establishment level and c) collective bargaining at sectoral level. Trade unions especially negotiate sectoral collective agreements and have – together with employees of the company – reserved seats on supervisory boards.

A works council (*Betriebsrat*) can be elected in all workplaces with at least five employees. However in smaller establishments with fewer than 50 employees they are rather an exception while the likelihood of there being a works council increases rapidly with establishment size. Thus 90% of all private enterprises with more than 500 employees do have a works council. Overall, however, the proportion of workers represented by a works council in the private sector is 43% in West Germany and 35% in East Germany (see

Ellguth/Kohaut, Tarifbindung und betriebliche Interessenvertretung – Ergebnisse aus dem IAB Betriebsrätepanel 2013 (The IAB Establishment Panel 2013), WSI-Mitteilungen 2014 p. 286).

While works councils legally are independent from trade unions, in practice most works councils are unionised. Thus on the one hand works councils are an important basis for unionism in the workplace. On the other hand, works councils rely on the work of trade unions, in particular on their legal expertise and on the results of collective bargaining at the sectoral level. Establishing works councils in workplaces where they do not exist is nearly impossible without the support of a trade union. Hence, collective bargaining at sectoral level is an important precondition for successful representation of workers' interests in the workplace. Although the coverage by collective agreements has continually declined in the last two decades, the percentage of employees protected by collective bargaining is still at 60%. Another 20% profit from the collectively agreed terms because their employers use the collective agreement as a benchmark even if they are not legally bound to do so (see Ellguth and Kohaut 2014). From the trade unions' perspective there seem to be two problematic developments concerning workplace codetermination:

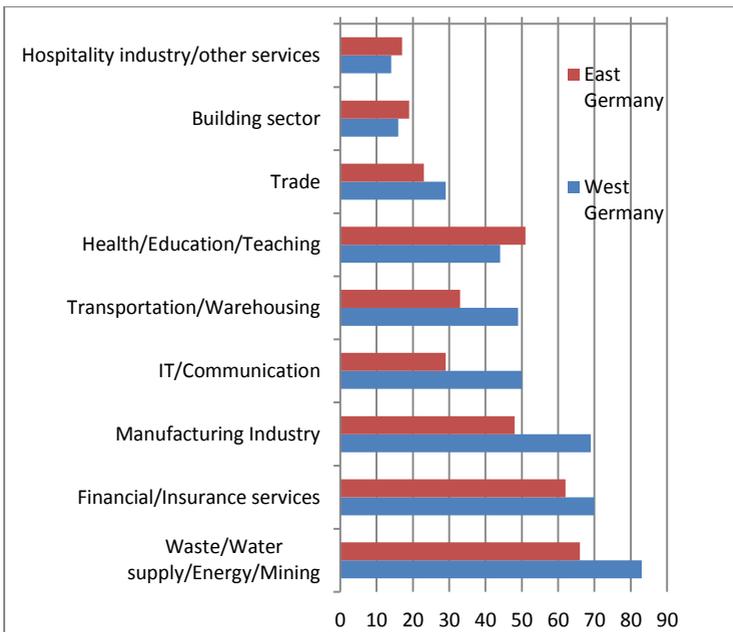
First: During the last few years, the proportion of non-unionised works council members has risen to more than 25% (Greifenstein, Kißler, Lange, Trendreport Betriebsrätewahlen 2014, Marburg 2014).

Second: In some sectors, employees are only rarely represented by works councils. For example, in the energy and mining

sector 83% of the employees are covered by works councils, whereas in the sector of trade it is only 29% and in the sector of other services it is 14% in West Germany. Also Eastern Germany is generally weaker in trade union and works council representation.

Some of the reasons for this in the branches with less representation might be the individualisation of society, structural changes, new management strategies opposition to collective representation, more heterogeneous fields of interest.

% of employees represented by works councils by sectors



Source: IAB establishment panel 2000-2012

SAP as an example

The areas of knowledge workers and the precarious service workers are particularly problematic. One example for a sector where workers' participation often is unusual is the ICT sector with its highly qualified, individualistic employees (see Lücking, *Zwischen Neopaternalismus und Repression*, WSI-Mitteilungen 2/2009, p. 63). There again a very prominent example is SAP, headquartered in Walldorf, Germany – world leader in enterprise software with 67,000 employees worldwide – 22,000 in Germany and 750 in Israel. Regarding market capitalisation it is one of the five biggest German DAX 30 companies.

Some key characteristics are important to understand the case of SAP. Although it is one of the biggest companies in Germany and is a world leader in its business area, SAP still has the image of a start-up company. Its change in corporate culture did not keep pace with its rapid increase in size since its foundation in 1972 with only a few employees. One of the founders, Hasso Plattner, is still chairman of the supervisory board and is viewed as the true leader of the company. That results in a paternalistic structure with similarities in some ways to a family company. The employees, on the other hand, work in highly specialised roles within the IT business. In knowledge-based companies of the “new economy” like SAP, the interaction of employees and leading management depends on the two elements of involvement and autonomy (see Lücking, *Zwischen Neopaternalismus und Repression*, WSI-Mitteilungen 2/2009, p. 63). The individualistic corporate culture and the importance of autonomy to these employees can

be used by a Human Resources department to its own advantage. Thus there tend to be weak collective negotiation structures. However, despite these highly qualified specialists the self-perception of the employees at SAP seems to have changed in recent years. There is a growing fear of replicability and growing stress. Threats of restructuring resulting in an adjustment of the business model result in fear for jobs. All these characteristics make SAP an interesting and problematic example for worker participation in Germany.

Furthermore SAP is an especially interesting case study because SAP worker participation represents two key future challenges for trade unions in Germany and thus shows two dimensions of an adoption of worker participation in an unusual way. First, there is the individualistic corporate culture and the opposition to collective mechanisms to enforce individual interests. Second, there is the internationalisation of participation structures. Additionally, SAP with its business model of company software, in-memory computing and real time database represents a key industrial sector because it is a relevant driver of the movement of industrial production and working life (“industry 4.0”) towards more and intelligent automation and communication systems (smart factory).

Regarding the individualistic corporate culture as the first challenge for trade unions SAP is exceptional because having been founded in 1972 it was the only DAX company that did not have a works council until 2006. At the same time SAP employees in Germany have never been covered by tariff agreements.

Then regarding the second challenge (internationalisation of participation structures) SAP is remarkable because by converting the *Aktiengesellschaft* (AG) to a European Company (SE) in 2014, supervisory board-level employee representation is not determined by law anymore but by an agreement between the company and an elected negotiation body of European employees (32 members – seven German members and 25 members from different European countries) as an outcome of a 6-month negotiation process. This agreement also covers a strong European transnational dimension. As a result there is an additional transnational level of information and consultation, the so-called European SE works council. It consists of 34 members from 27 European countries. Then there is international employee representation on the supervisory board, one half consisting of shareholder representatives and the other half of employee representatives. Two of the nine employee representatives come from European countries other than Germany. One of the seven German representatives has to be elected not within Germany but by the newly created and comparably strong European SE works council. SAP thus currently is one of only 13 German SE with parity on the supervisory board (Pütz, Europäische Aktiengesellschaft – Die Fakten, 10/2014, download:

http://www.boeckler.de/pdf/pb_mitbestimmung_se_2014_10.pdf). At the same time and also as a result of the negotiations, it is the only listed SE with parity where the agreement has increased the size of the supervisory board for the time being from 16 to 18 members. However, the agreement includes the possibility to get rid of the reserved seats for trade union representatives from 2019 on. This is a new dimension of hostility towards trade unions since this has never happened before

in SE negotiations. Many law experts consider this unlawful and the unions have not ruled out taking the company to court.

However, worker participation at SAP has always been unusual and still is. Until 2006, it was a prominent example of so-called alternative employee representation (Hauser-Ditz/Herzwig/Pries, *Andere Vertretungsorgane als Herausforderung für Betriebsräte?*, WSI-Mitteilungen 2/2009, p. 70). Before 2006, only the eight employee representatives on the supervisory board had the role of employee representation. However, their independence from management was questionable. They were highly paid and did not pay dues to the Hans-Böckler-Foundation like the members of DGB trade unions do. They were granted some pseudo-works council rights by management (Wir sind Quasibetriebsräte, Interview mit Helga Classen und Bernhard Koller, *Magazin Mitbestimmung* 6/2006). They even played a key role in the debates about pay schemes – usually not the task of the supervisory board but the competence of works councils and trade unions. Due to this the supervisory board still has a special role in workplace policies separate from the works council. The link to the works council on the other hand is weak and there is a significant amount of competition between the two levels. Key players in the works council are not necessarily members of the supervisory board and vice versa. Until now SAP is the only DAX company in which – in contradiction to the idea of the law – there have never been elected external trade union representatives on the supervisory board.

Three members of IG Metall initiated the works council elections against the opposition of a vast majority of the work-

force. German law, however, for good reasons does not ask for a quorum to initiate the foundation of a works council. Since in an employees' meeting 91% rejected the call for an election board the court was asked to set up the election board (Girndt, *Alles was Recht ist – Die Betriebsratsgründer*, Magazin Mitbestimmung 11/2006, p. 40; Ruegemer/Wigand, *Union-Busting in Deutschland – Die Bekämpfung von Betriebsräten und Gewerkschaften als professionelle Dienstleistung*, Otto-Brenner-Stiftung 2014, p. 88). Management tried to prevent the establishment of a works council and threatened to transfer the headquarters away from Germany/Walldorf in the case of works council elections. Management claimed that a works council would actually be run externally by IG Metall and that the company would lose competitiveness. In the view of management, tariff agreements and works councils were relics of former times that might only be useful in industry sectors where employees can be easily replaced but not in the area of knowledge workers (see Lücking, *Zwischen Neopaternalismus und Repression*, WSI-Mitteilungen 2/2009, p. 63, 64). Instead it stressed the “SAP-Modell” with the role of the supervisory board as an alternative representation body. The strong opposition of the management to the forming of a works council (e.g., *Manager Magazin vom 28.2.2006*, <http://www.managermagazin.de/unternehmen/it/a-403670.html>) was on the margin of the legally permissible range since German law calls for criminal punishment in the case of influencing or hindering works council elections. Most of the approximately 400 candidates in 15 lists wanted to avoid a takeover by IG Metall. The IG Metall and the DGB Unions and thus the works council were seen as bureaucratic and a threat to individual auton-

omy. However, today the majority is convinced of the value of having a works council. Everybody realises that the works council did not harm the success of the company at all, but might actually be helpful by offering better protection in the process of restructuring like the current rationalisation program “simplify and optimise” (see Magazin Mitbestimmung 12/2014, p. 28). Today there is more participation of employees in different aspects, e.g., pay tables are more transparent. This works council however has so far generally avoided real conflicts with the employer and was not strong in fighting for its rights. So far no collective tariff agreement exists. The approach is still rather individualistic. There is still no real link and no cooperation between the works council and the supervisory board members. Until now there have been only a few trade union members on the works council. In 2012 a trade union member was elected to the supervisory board for the first time. However, the trade union seats (as mentioned before) were always given to employees of the company running for small “yellow” (employer-dominated) trade unions. But the recent works council elections of 2014 have strengthened the trade unions (10 of 41 seats for IG Metall and Verdi) although the number of trade union members still is very low within SAP. For the negotiations of the participation in the SE there was one external member elected on a trade union seat, an SE expert of the Hans-Böckler-Foundation. (For more details about the current situation and the dimension of the European company, see the interview with Sebastian Sick about the SAP case, "Benefiting from our Expertise," see Magazin Mitbestimmung 9/2014, p. 18).

What are the conclusions from the past at SAP for the employees?

None of SAP's nightmare scenarios during the fight for the works council became reality. However a lack of interaction between the levels of codetermination can be observed. That bears the risk that codetermination still cannot realise its full potential. The exercised partnership with the employer without the external input of trade unions lacks external expertise on the employee side and also a cross-company view. An individualistic approach within a collective works council representation is characteristic and seems to be a kind of contradiction. This shows that trade unions need to develop a strategy for gaining influence and participation at SAP and in the ICT sector. Therefore the trade unions in Germany need to deal with the following four central questions:

1. In an individualistic tradition with highly qualified, well-paid academic employees what role is left for trade unions and worker participation?
2. How can trade unions succeed in an atmosphere of hostility towards external trade unions coming from outside the "company's family" and where fighting for their collective rights and distinguished positions of employees collectively in opposition to the management might be seen as risking the success of one's own company? This is a completely different setting with new challenges than, for example, in the former key sectors like the steel-industry. First, trade unions need to build up confidence. Then the combination of an outside view in combination with expertise seems to be important. One strategy could be to

gain more influence by offering expertise and knowledge networks which are urgently needed by employee representation bodies especially in difficult times. This strategy worked well at SAP, for example, during the negotiations regarding the conversion into an SE. The trade unions succeeded in having an external SE expert of the Hans-Böckler-Foundation elected on a trade union seat in the negotiating body.

3. It is encouraging that even at SAP a process of gradual change has become apparent over the years. After a period in which there had only been alternative representation by employee participation in the supervisory board, the works council was finally founded in 2006. In 2014 the results of the works council elections gave the trade unions at least some influence in this body. Do these signs for gradual change finally include an option for the trade unions for a clear and permanent role within the company and its employee representation accepted by the employees, their representatives and the management?
4. Codetermination seems to have found its way into SAP, albeit in a very individualistic form that is difficult for trade unions. The example of SAP shows, however, that there is not one single system of codetermination in Germany but many different codetermination systems. They are influenced by the corporate culture, by sector conditions, by the owner structure, by the employee structure and, last but not least, by the possible conversion from an AG to an SE (European Company) with its negotiation about an individual codetermination structure. These ne-

gotiations lead to much more individualistic company approaches than the fixed solutions in the law for the AG. The solutions in the negotiations need to take the very different national ideas of worker participation in Europe into account. The employees in Europe so far are not a homogeneous group – neither legally nor culturally. These negotiations and other new legal options for mobile companies and capital markets bear great risks for codetermination. But on the other hand the negotiations bear the chance to internationalise the formerly purely national employee representation on a European level. Will the trade unions and employees be able to realise those chances in international negotiation processes?

Chapter 7

Worker Participation and the Transition to a Green Economy

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Worker participation in the 21st century will be shaped by several long-term structural economic changes, including the transition to a green, low carbon economy which will fundamentally change the workplace. Any analysis of worker participation should take into account the relation between employee involvement and the transition to a green economy.

This review will begin by characterising the transition to a green economy and its effect on the economy and on employment. The second part will discuss this transition in respect to worker participation through two perspectives – participation at the company level through human resource management and employee initiatives; and worker participation in the national and international arenas, through trade union involvement in policy making.

The Transition to a Green Economy

Background

While production has always had an environmental footprint, over the last several decades economic growth, along with a substantial population increase have led to unprecedented environmental effects. As a result, the period of environmental stability that has characterised the planet for the past 10,000

years is under threat. In an influential *Nature* paper published in 2009, researchers suggested nine planetary boundaries, defining the safe operating space for humanity. Living within these boundaries is needed to keep the planet's environment stable (Rockström et al. 2009). Boundaries for three earth system processes have already been crossed – climate change, rate of biodiversity loss and the nitrogen cycle. Values for other processes, such as ocean acidification, have not yet been crossed but are alarmingly approaching the boundary (ibid.).

Due to these dangers, environmental improvements are needed today not only for incremental quality of life increases, but also to protect the future of the planet. The most prominent danger is climate change.¹ According to the latest Intergovernmental Panel on Climate Change (IPCC) report, man-made climate change is no longer a theoretical danger but is occurring in the present. The average temperature is increasing, ice sheets have been losing mass, sea level is rising and, in some regions, extreme weather events are more common. Climate change has probably already had an impact on eco-systems, agriculture and health (through extreme heat waves for example), and these impacts are expected to grow significantly. Climate change threatens to undermine food security, reduce renewable surface water and increase species extinction rate (IPCC 2014). According to the report:

¹ Since climate change is the dominant environmental issue of the 21st century and has the clearest impacts on the economy, we will focus on it throughout this review. However, this does not imply that it is the only environmental concern of the era.

"Continued emission of greenhouse gases will cause further warming and long-lasting changes in all components of the climate system, increasing the likelihood of severe, pervasive and irreversible impacts for people and ecosystems". (IPCC 2014: 8)

Substantial policy initiatives will be required to tackle the environmental dangers facing the planet. After many years of stagnation in the international climate change negotiations, it seems that progress is underway. In the 2014 UNFCCC (United Nations Framework Convention on Climate Change), countries reached an agreement, dubbed the Lima Accord, on a framework for mitigating greenhouse gas emissions. Each country will set emission reduction goals, and a global deal committing the countries to their goals will be signed in December 2015 in Paris. The breakthrough accord followed an earlier agreement between China and the US, the two largest emitters, to reduce greenhouse gas emissions.

In order to limit the temperature increase to two degrees Celsius (as agreed in the 2009 UNFCCC), industrial countries will have to reduce their carbon emissions drastically. The UNEP *Emissions Gap* report tracks the possible pathways for future emissions and the gaps between countries' commitment and emissions consistent with a 2°C limit. The report argues that total emissions will need to shrink to net zero by the end of the century, emissions will need to peak before 2030, and in 2050 emissions will have to decrease by 55%, compared to 2010 (UNEP 2014). As emissions in the developing countries are expected to grow in the near future, the emissions of developed countries will have to decrease at even higher rates.

The Green Economy

The momentous effort required to mitigate emissions will ripple through the economy. However, the effects of the mitigation efforts are much smaller compared to the toll on the economy in the case of inaction. According to the *Stern Review* emissions reduction leading to stabilisation of emissions at 550 ppm CO₂e will cost approximately 1% of GDP annually, while a business-as-usual scenario will cost 5-20% of GDP annually (Stern 2006). Since the report was published, Stern claimed that costs are expected to be 2% of GDP,² and that the threat climate change poses to the economy is much greater as well.³ The main conclusions of the report still stand – the benefits of mitigating emissions outweigh the costs, and to avoid the dangers of climate change the economy will need to undergo "*structural shifts on a major scale*" (Stern 2006: 205).

The substantial economic changes are not only negative. Over the past several years the OECD has been focusing on how countries can promote green growth. The OECD defines green growth as:

² Jowit, Juliette and Patrick Wintour. "Cost of tackling global climate change has doubled, warns Stern". *The Guardian*, 25.6.2008.

³ Stewart, Heather and Larry Elliott. "Nicholas Stern: 'I got it wrong on climate change – it's far, far worse'". *The Guardian*, 26.1.2013

"Fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies" (OECD 2011: 18).

A green growth framework requires policies to price externalities correctly, support technologies and innovation, reduce barriers to trade, ensure workers and firms are able to adjust to changes in the labour market and address distributional aspects of green policies. The framework will require new indicators (instead of relying solely on GDP for example) and international cooperation for managing global public goods (OECD 2011).

In addition to specific actions to mitigate greenhouse emissions (such as renewable feed-in tariffs and fuel economy standards) countries have started to prepare for the transition to a green economy. For example, South Korea developed the National Strategy for Green Growth for the years 2009-2050. The strategy aims to develop low carbon, environmentally friendly industries, ensure environmental sustainability, and contribute to fighting climate change. In addition, South Korea laid out a five-year plan for green growth for 2009-2013, according to which the country will spend 2% of GDP on climate change and energy, sustainable transportation and the development of green technologies (UNEP 2010). Based on its growth plan, in 2010 South Korea launched the Global Green Growth Institute.

Similarly, the UK has laid out a Low Carbon Industrial Strategy. The strategy states:

"The transition to a low carbon world will transform our whole economy. It will change our industrial landscape, the supply chains of our businesses and the way we all live and work. The vast majority of, if not all, economic activity in Britain will have to reduce its carbon impact significantly" (Her Majesty's Government 2009: 5).

According to the strategy, the government will remove barriers to low carbon sectors by investing in offshore wind, wave and tidal power, ultra-low carbon vehicles, low carbon manufacturing and other fields where Britain potentially has a comparative advantage. In addition, the government is developing Low Carbon Economic Areas (the first area in south-west England will focus on marine energy demonstration), encouraging greater innovation through direct support and improved coordination, supporting energy efficiency improvements and implementing other measures to ease the country's transition to a low carbon economy (Her Majesty's Government 2009).

Green Jobs

Any major change in the economy will directly affect workers. In 2008, the United Nations Environment Program conducted a comprehensive report on green jobs. The report concludes that a sustainable economy will affect employment in four ways. In some cases, additional jobs will be created, for example, in the manufacturing of pollution control devices. In other cases, green jobs will replace "dirty" jobs, e.g., jobs in renewable energy will replace fossil fuel based energy. Other jobs will be eliminated, for example, energy efficiency will

lead to a general decline in jobs in oil extraction and refining. Finally many existing jobs will be transformed. In such cases workers will not lose their jobs but will need to adapt to changing requirements, for example construction workers will need to learn green building methods (United Nations Environment Program 2008).

Over the past several years, there have been various efforts to define green jobs. In 2009, Eurostat published guidelines for statistical offices on the collection of data on environmental goods and services (Eurostat 2009). The US Bureau of Labor Statistics has developed a green jobs definition and assessed the number of green jobs according to product outputs and production processes (Sommers 2013).⁴ A process to define and measure green jobs is also under way in the International Labour Organisation (ILO 2013). Despite the various efforts, a consensus on the definition of green jobs has yet to be developed, probably since green jobs span many sectors and fields, and therefore it is difficult to define their exact scope.

Even with limited data, researchers have reached initial findings and predictions on green jobs. According to most studies many jobs will be created as a result of the transition to the green economy. After taking into account jobs that will be destroyed, the overall expected net change in the number of jobs is positive but moderate (ILO 2012). However, even if, in aggregate, the change in the number of jobs is expected to be modest, the transition will still have a major impact on the labour market. Particular regions and sectors will drastically

⁴The data is no longer collected, as the US Bureau of Labor Statistics green jobs program was eliminated as part of the budget sequestration in 2013.

change. For example, the number of workers in the natural gas, coal and oil industries is expected to decline by 10-40%, while the number of jobs in the transportation and renewable energy sectors is expected to rise by a similar rate (Chateau et al. 2011). Even in fields which will not grow or diminish, the required skill set will change. Finally, the nature of many jobs will change, for example the energy market could decentralise as large power plants are replaced by smaller renewable energy projects. Such a change will strengthen small business on the one hand, but may decrease the number of protected unionised jobs on the other hand.

As countries realise the magnitude of the green economy transition, various policy proposals to promote green jobs have been suggested and implemented and so far at least 15 OECD countries have implemented specified green training programs at the national level (OECD 2011). The question to be discussed in the next section is whether this transition will be a top-down process, or a dialogue involving the workers.

Worker Participation and the Green Economy

Before discussing worker participation, it is important to better understand the incentives of an individual firm's management and employees. While it is often clear that, in aggregate, reducing emissions will increase well-being, on a local level the environmental decisions are more complex. On the one hand, firms face short-term financial incentives and therefore may prefer to maximise profits by adhering only to necessary regulations and not promoting any further environmental measures. On the other hand, "beyond compliance" actions

may give a firm a first mover advantage, and thus increase the company's competitive performance (Stefan and Paul 2008), especially when more and more customers require firms to be socially responsible.

Worker representatives also face conflicting interests; they wish to protect current employees and therefore may object to structural policy that threatens employment. All the while, many workers and their representatives realise that, in the long term, their company and their country will thrive only if it places an emphasis on environmental reasonability (Snell and Fairbrother 2010).

Due to the conflicting incentives faced by workers and employers, we can expect the relation between worker participation in the workplace and the transition to a green economy to be complex. Yet, even though there is a rich literature on the green economy and green jobs, the relation between the green economy and worker participation has not been studied extensively. In this section we will review worker participation at the company and international level.

Employee Involvement at the Company Level

One field that has attempted to incorporate the growing importance of environmental decisions in the workplace is human resource management. The Green Human Resource Management (GHRM) field is an integration of human resource management and environmental management. The literature in the field includes using environmental branding to recruit high quality workers, green training, developing an environmental knowledge base and encouraging workers to

improve the company's environmental performance (Renwick et al. 2013).

Green training can empower employees, increase their awareness and thus lead to a more sustainable firm (Jabbour and Santos 2008). For example, human resource management can contribute to the green performance of airlines by training pilots to conserve fuel – by using the optimal fuel load, flying on specified routes and executing efficient landing patterns (Harvey et al. 2013). Similarly, environmental policy in firms, training, information dissemination and support from management can increase the innovative environmental actions of employees (Ramus 2002). These studies show the importance of every individual employee in making a company sustainable, and the importance of employees' participation in the process. However, even if workers initiate certain actions, it is unclear whether these types of activities constitute worker participation, since the employees are mostly taking part in implementing the firm's strategy and not in the management's decision making process.

Green human resource management also discusses direct workers' involvement in environmental management. The literature shows that such involvement is often critical for improving environmental performance. The improvements are achieved through the unique knowledge of employees, by empowering employees and by developing an organisational culture that places an emphasis on environmental performance (Renwick et al. 2013).

Several case studies have examined employee involvement and environmental management. The Danish project “Em-

ployee Participation in the Introduction of Cleaner Technologies” aimed to develop a more active role for employees in the companies' environmental activities. As part of the project, companies created new environmental teams, and these teams often improved the firm's environmental activities (Remmen and Lorentzen 2000). A different study on New United Motor Manufacturing shows that while workers hold important contextual knowledge (about the setting of processes in the plant), specialty staff holds crucial knowledge about the mechanical or chemical properties of processes, in addition to intra-organisational and external knowledge. Therefore the research suggests that it is not enough to generally increase worker participation, but it is important *which* workers participate (Rothenberg 2003).

The relationship between employee involvement and environmental performance can also be assessed using cross-sectional data. One such study found that the presence of employee directors on boards has a positive effect on environmental performance (Hillman et al. 2001). Another study found a positive relationship between the perceived influence of employees on environmental management and environmental leadership (Buysse and Verbeke 2003).

Indeed, it seems that often the employees themselves pressure the firm to become more environmentally responsible (Renwick et al. 2013). This is best demonstrated by a panel study on work councils. The research shows that environmental investment increases when work councils are present. In order to assess what causes the increase, types of environmental improvements were evaluated. According to the study, the

positive effect of work councils on environmental performance is generally found for investments that affect the workplace and local community, and not for environmental investment geared towards consumers. Therefore, the authors conclude that the increased investment is led by employees (perhaps jointly with managers) and not led solely by managers (Askildsen et al. 2006). Another way to interpret the results is that workers do not care only about general environmental performance, but about specific environmental issues that are relevant to them.

Union Action and a Just Transition at the International Level

Trade unions are often less involved in environmental management in specific firms (Renwick et al. 2013), but are involved in national and international level policy making. Even though the transition to a green economy can threaten certain jobs, leading trade unions have been vociferous advocates of environmental causes, and have called for greater efforts to mitigate emissions. For example, in 2008 IG Metall issued a statement with the German Ministry of Environment calling for ambitious regulations on emissions from new cars. In 2012, the International Trade Union Confederation noted that lives and jobs have already been lost due to climate change and that governments must take stronger action (ITUC 2012). It should be noted that while many unions share this opinion, others are indifferent to the transition to a low carbon economy, and some unions even object to it, such as in Poland's coal-mining and power sectors (European Commission 2011).

Trade unions involved in environmental negotiations require a 'Just Transition', and argue that it is not enough to promote a transition to a green or low carbon economy but it is also imperative that the transition should be fair. There is no clear definition of a just transition but often the main components are creating new decent green jobs providing fair wages, union protection and benefits; assisting workers whose jobs are threatened, through vocational training plans, compensation or temporary protection for competitive sectors; ensuring that polluters pay the costs associated with the transition and not disadvantaged communities; analysing the employment impact of climate policies; and maintaining an active social dialogue and formal consultations with workers (Rosemberg 2010; UNEP/Sustainlabour 2011).

The term 'Just Transition' was probably first used in the 1970s when worker representatives in the American car industry demanded compensation for employees who lost their jobs due to environmental regulation (Trades Union Congress 2008). The term has become much more common in the last few years and has appeared in 'The Future We Want' document, summarising the RIO+20 conference, and in the decision adopted in the 2010 UNFCCC negotiations in Cancun. The demand for a just transition also appeared in the International Trade Union Confederation submission to the 2014 UNFCCC agreement:

”Parties recognise the need to accompany their climate policies and actions with the promotion of decent work opportunities arising from a low-emission society as well as with a strategy aimed at ensuring a Just Transition for workers,

providing social protection, strengthening social dialogue, securing workers' rights, growing new sectors and promoting prosperity and sustainable development" (International Trade Union Confederation 2014).

The wording did not appear in the final text and it remains to be seen whether workers will succeed in inserting the principle of a just transition into the 2015 agreement.

Trade unions have also been active in promoting a just transition on the national level. In the UK, the Green Economy Council was created in 2011 to advise the government on green growth and includes union representatives. In Spain, tripartite social dialogue roundtables were created to oversee the emissions reductions carried out according to the Kyoto Protocol, and their impact on employment, competitiveness and social cohesion. Actors involved in the roundtables view them as a positive innovative instrument, which enables better information flow and trust among the parties (International Labour Organisation 2010). Similarly, trade unions are involved in environmental policies in the Netherlands through the Dutch Social and Economic Council and in many other multipartite environmental or sustainable development councils (European Commission 2011). While the power of these councils is often limited, at least they create a formal forum for worker representatives to participate in planning the economic transition to a low carbon economy.

Summary

While there is a broad literature on the transition to a green economy, and extensive literature on worker participation, the

intersection of these topics has not received sufficient attention. It is clear that a transition to a green economy is necessary and that such a transition will cause a massive, albeit gradual, structural change. Workers in many sectors will be affected by this change and therefore we would expect them to take part in designing the economic transition at the firm, national and international level.

So far, research suggests that employee involvement may actually increase pressure for environmental action, both at the firm level and in policy making. This finding is encouraging as traditionally the environmental and labour movements were not perceived as natural allies. This review has shown that employee involvement is not confined to demanding general environmental improvements, but that workers often also demand *specific* actions that will ensure their interests during the transition, including improvements to the local environment, decent jobs, and assistance to threatened workers.

More research is needed to determine the precise effect of worker participation. Furthermore, the reverse causal relation should not be neglected – the transition to a green economy could also have an effect on worker participation, and with time, as the changes in the economy become clearer, this effect should also be researched. At this stage it is clear that similarly to other major structural changes, the transition to a green economy is interconnected to worker participation, and firms and policymakers should take workers' voices into account when planning the transition.

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