

**IMPLEMENTING SOCIAL POLICY:  
An Interdisciplinary Study of the Implementation of the  
Works Council Directive in the United Kingdom**

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The European Works Council (EWC) directive, which was adopted in 1994, is a fascinating subject for study and one that already has attracted more research than any previous policy adopted under the rubric of European Union (EU) social policy.<sup>1</sup> The University of Warwick, for example, has a center dedicated to the study of the EWC. The reasons for the fascination are not difficult to discern. The directive is seen as an important victory following twenty years of efforts to instill some form of worker participation into EU law. It is also the first major piece of social policy to be adopted under the famous "opt-out" provision of the Maastricht treaty, so some regard it as a harbinger of a new era in social policy. In addition, industrial relations scholars are interested to analyze its impact, if any, on industrial relations in the member states.

The directive is to be implemented in all the EU member states with the exception of the United Kingdom (UK) (as allowed by the opt-out provision) and in the two remaining EEA countries, Iceland and Norway. All transnational enterprises (TNEs) having a "community scale" as determined by the employment of over 1,000 persons with at least 150 in two or more participating countries had until September 22, 1996 to establish a works council containing representatives of their employees in the relevant member states. Following that date, member states were to have in place national legislation to implement the directive. TNEs that adopted a works council ahead of national legislation therefore had greater flexibility in tailoring a body to suit their interests. The directive only requires that such bodies consist of 3 to 30 members who represent their employees in the countries where they are located and that the TNEs provide the body with

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<sup>1</sup> Although EWC will be used throughout the paper, the reader should not equate it with works councils as known in Germany and other member states. The arrangements, especially those made during the voluntary period, are quite varied and some may not be allowed if they are challenged in the Court. A more appropriate term would be an EWC arrangement or an EWC structure. These terms are used in Brussels but the language is somewhat awkward for a conference paper so the writers have used the shorter EWC but with the full awareness that the current structures differ greatly from the fully defined German works councils.

information about the general structure of the TNE, its economic situations and future plans regarding employment, investment and overall development strategy. A good percent of the 1,200 TNEs subject to the directive took advantage of the voluntary period and negotiated Article 13 agreements with their employees. (Article 13 refers to the provision in the directive providing for the early voluntary period.) It should be emphasized that TNEs did not have to include representatives of their UK employees in the employee group but they could do so, if they wished or they could include representatives of their employees in other countries, such as Switzerland, as well. The UK government did not appear to foresee that TNEs would choose to include representatives from their UK employees. Indeed, the expectation of the government appeared to be quite the opposite. Government leaders infuriated many in Brussels by openly inviting TNEs to come to the UK in order to avoid the strictures of EU social policy.

Although studies of social policy have burgeoned in the 1990s, few, if any, have examined policy implementation. This oversight is a major weakness in the research agenda. Critics of EU social policy argue that a common policy is not feasible because national practices are so different and are deeply imbedded in national culture and history. It is the purpose of this paper to test this assumption by studying the implementation of the <sup>European Workers Council</sup> (EWC) in the UK. Obviously, the test is a limited one and should be regarded as a first attempt. Its findings are highly tentative. In addition, the study provides some preliminary insights into the feasibility of opt-out agreements. Can member states successfully exclude themselves from aspects of integration while at the same time participating in the overall integration effort? The UK is generally perceived as the country whose industrial relations traditions and current attitudes make implementation of EU social policy difficult, if not impossible. Moreover, the UK has the legal right not to enforce many aspects of EU social policy. Therefore, the UK poses the most difficult challenge to those who believe that European integration must have a social dimension.

The research was conducted in five TNEs operating in the UK, four of which implemented the directive before September 22, 1996 (the cut off date for voluntary compliance). Each of these corporations included

representatives from their employees in the UK in their EWC although they were not required to do so. The study was conceived as a pilot project for a larger study of the implementation of social policy. The research included semi-structured interviews among British employees who are also representatives to the corporate EWC. In addition, discussions were held with members of the relevant European industrial committees. The questions asked in the interviews were designed to elicit insights into the role which culture plays in facilitating or obstructing policy implementation. The design of the questions was influenced by the work of G. Hofstede (Hofstede, 1980 and 1989)

The focus on culture is justified on two bases. As previously mentioned, cultural differences are widely perceived as a major barrier to a common social policy. Studies of comparative industrial relations document major differences in practices in different European countries which appear to be rooted in the different national cultures. Colin Crouch, a leading scholar in the field, finds that some convergence is taking place, but Europe has at least four different types of industrial relations systems. Accordingly, he asks whether Europe can have a single social policy or one that allows for a Europe sociale a quatre vitesses? (Crouch, 1996, p. 131) The second justification for the focus on culture is based on the concept of cultural boundary borrowed from the field of international relations. The ability to maintain or modify a boundary between itself and others in the international order is commonly perceived as one of the characteristics of a viable entity in that order. (Smith, 1996, pp. 12-13) The UK Conservative government justified its right to be excluded from EU social policy on the grounds of the distinctiveness of that country's industrial relations traditions. It further argued that its sovereignty would be encroached on by different continental norms. If it can be shown that its cultural boundaries have been penetrated despite the legal barriers, the findings raise interesting questions regarding the effective sovereignty of member states in the social dimension of an integrating Europe.

As anyone who studies the EU knows, it is not an easy subject to capture using the concepts familiar to social scientists. J. Caporaso asserts that our assumptions about the EU are derived from the characteristics

of the Westphalian state but that the EU appears to be a composite of attributes associated with a number of different "forms of state". (Caporaso, 1996) For our work, the attributes that are associated with the post-modern state -- fractured, decentred and lacking in spatial and functional lines of authority have the most relevance. (Caporaso, p. 34) The other scholar whose work is particularly relevant for this study is G. Majone whose explanations of the EU as a regulatory state aids our understanding. (Majone, 1993) He contrasts EU social policy with social policy as commonly associated with welfare states. In the former, programs are designed for the post industrial state and balance quality of life concerns with the need for economic efficiency. In the latter, policies have an intent to redistribute income in the interest of greater egalitarianism.(Majone p. 169)

The EWC directive represents social regulation as defined by Majone. Moreover, its implementation, as we found, can only be understood if we set aside assumptions about policy implementation as commonly perceived and entertain the possibility that policy implementation in the EU is more akin to the characteristics of a post-modern state than to the more orderly ones of a Westphalian state.

Policy implementation in the EU normally is a two stage endeavor. An EU directive is adopted, with allowable variations, into national law and then put into effect on the subjects of the law which are frequently TNEs operating in the member states. Responsibility for enforcement rests primarily with the member governments. Even this simple model shows how complex the study of implementation can be. Just as multi-levels of governance hamper the study of policy making, multi-levels of implementation make the study of policy implementation a formidable task. When the subject of the policy is composed of thousands of business enterprises scattered throughout the member states, the lonely researcher hesitates to enter such a thicket. Policy implementation needs to be studied, however, because implementation is a crucial part of the Eastonian political system and the outcomes of implementation constitute the feedback loop which activates new policy making and nourishes the support that is essential to the continuation of a viable system.

The study of the EWC directive is somewhat unique due to the fact that the directive had a period of voluntary compliance by the subjects of the directive before national legislation was in place. This provided an opportunity to study the reactions of the subjects without the intervening variable of different national laws to implement the directive. The researchers assumed that implementation by TNEs would be affected by a number of variables but that three variables would be the most important -- the legal and political environment in which the policy operated, the history of the TNE in the country studied and, most importantly, culture. The impact of culture on the operation of a TNE is a major field of study. It is an accepted fact that the different cultures of managers, of the corporate headquarters and of employees affect and complicate the operation of TNEs. To add to the complexity, the culture of German managers, for example, differs from the culture of British managers, etc. Culture appears to be highly relevant to the study of the implementation of EWCs. For example, do managers from countries with a tradition of national works councils engage more willingly in negotiations for EWCs than British or American managers? When a TNE is headquartered in a country known for an adversarial tradition in industrial relations does the headquarters restrain negotiations? Do British employees prefer a more unstructured EWC arrangement than German employees? All of these questions feed into the basic question of whether EWCs, which are composites of numerous cultures, become viable bodies.

Some features of this pilot study limit the extent to which generalization can be made from its findings. If and when further studies are made in other member states, wider generalizations will be possible. One obvious feature is the location of the study in the UK. Legally, business enterprises do not have to comply with the directive in the UK either before or after the 1996 date for voluntary compliance. Realistically, however, they have found it expedient to do so. Another feature is the fact that the study deals only with EWCs negotiated during the period when compliance was voluntary. Studies made of EWCs negotiated later will have to take into consideration the national legislation adopted in the member states to implement the directive. As is customary, the directive gives member states some scope for adapting the policy to suit

national concerns. Another feature concerns the small sample that was included in the study. Later, more comprehensive studies need to consider whether EWCs differ in different industries or whether different trade unions impede the formation of EWCs, etc.

The text of the paper (Part II) consists of two sections. The first section deals with the background factors that affect implementation of the directive in the UK. The second section summarizes the findings of the case studies. The final portion of the paper draws some tentative conclusions regarding the role that culture plays in affecting or obstructing policy implementation. These conclusions provide some support for the argument that culture does not provide an impossible barrier to a common social policy, but it does affect its implementation.

## PART II

### Section A - Background Factors

#### 1. Basic Philosophical Assumptions in the UK and in the EU

Any discussion of EU social policy from an Anglo American perspective is handicapped, at the outset, by the values and norms which color that perspective and which differ from those of continental Europeans. These values and norms are shaped by our history and religion but also by our beliefs about the importance of the market economy. In contrast, the perspective of continental Europeans regarding social policy grows out of different historical experiences and a greater readiness to accept the legitimacy of governmental action in the social sphere. As if these differences were not sufficient, Continental European twentieth century history has had a strong influence on the establishment and development of the EU, its economic policies and the relationship with parallel social policies. In other words, it often seems as though the British historical preoccupation with free markets and free trade fits uneasily with Continental approaches which emphasize the need for an adequate social framework as a flanking policy for the development of the market -- the social, free market.

Given the cultural split across the EU between the Northern-Anglo Saxon culture with its preoccupation with rules and a regulatory approach to public policy and the Mediterranean culture characterized by social Catholicism and a more malleable approach, the UK appears as a "stand alone" member of the EU club. In the context of workers rights, in particular, rights to information and consultation, the UK seems to fall between the progressive, inclusive and collaborative traditions of essentially Protestant Scandinavia and the "dignity of man at work" approach of Catholic teaching in the south.

The EU Commission's work during the Delors Presidency from 1984 to 1994 reflected Continental beliefs in the need for a social framework to accompany the development of the Internal Market. A free market without a deliberately constructed minimum social framework was seen by the Commission as unacceptable given Europe's history. That this assumption was at variance with British tradition was evidenced by the political opposition taken first by the Thatcher government against a series of Commission social policy initiatives,(for example, the Social Charter of 1989) and then continued by John Major. The variance also accounts for the British opposition to the Maastricht treaty provisions on social policy on the grounds that social policies bring heavy economic burdens on business and should therefore be avoided.

Contrary to popular belief, EU social policy is not a socialist driven agenda or as Mrs. Thatcher put it - socialism by the back door - but a body of legislation, policies and funded programs supported by a wide range of persons and groups across Continental Europe's political spectrum, i.e., from Left to Right.

The Commission conceived of the EWC directive as an at least symbolic act by the EU to redress for the labor the imbalance given to capital in providing an internal market. The directive was one of a number of proposals linking concessions to capital with counterbalanced employee rights. These proposals trace back to 1972 when the Commission proposed the European Company Statute.

At the cultural level, EU policy development reflected, particularly in the Delors' era, a consensus approach that found wider resonance in economic and social development. The EU vocabulary was characterized by expressions such as social partnership, social dialogue, etc. The language reflected the



assumption that the most effective approach to such policies is one involving the participation of all of the relevant parties in identifying the problems, in formulating the solutions and in implementing these solutions.

The very nature of the EU institutional process is consensus driven. In relation to employee right to information and consultation, therefore, the EU approached such policies with the assumption that consensus within the economic life of enterprises is conducive to better economic performance and competitiveness as opposed to conflictual relations between owners and employees. As a cultural norm this approach has clashed with the traditional British - and between 1979 and 1997 under successive Conservative governments - actual confrontational approach to employee relationships encompassed in a "management's right to manage" scenario.

## 2. The Role of the British Government and its Impact on the Directive

The interface between the British government and the EU had far reaching and surprising influences on the EWC directive. The ideological stance taken by the conservative government was against EU legislation in the social field and justified by voluntarism in British labor/management relations. This ideological position pervaded the Tory thinking on the whole idea of Europe, however, its strategy helped to bring about the very policy it opposed. The Commission preferred that the social partners negotiate an agreement on employee information and consultation rather than adopt a directive on the subject. The British employer organization, with the encouragement of the UK government, refused to give the European employer organization UNICE a mandate to negotiate on the subject.

The paradox goes further. Because the ETUC (the European Trade Union Confederation) and UNICE could not enter into negotiations, the Commission was put into a position of having to process the EWC proposal as an EU directive during the Presidency of a national government (second half of 1994) whose domestic cultural traditions in the labor/management context were supportive of works' rights to information and consultation, namely the German government.

The British government and employer organization seemingly contributed to the very thing to which they objected, namely EU level legislation in the social field and particularly any legislation giving workers participative rights in TNEs or any other company operating in the UK. The government considered that it had saved British industry from debilitating social burdens and it rationalized its objection by recourse to the notion of subsidiarity. The government further asserted that the Maastricht provision involving qualified majority voting in the Council of Ministers eroded the sovereignty of the British Parliament. This seemed a strange claim to many observers. It was a Conservative government under Mrs. Thatcher that signed the Single European Act in 1986 which introduced qualified majority voting in two spheres, first the Article 118a provision for EU social legislation relating to the work environment (in practice safety and health at work provisions) and secondly in the context of legislation necessary to facilitate completion of the EU internal market. This latter had a familiar historical, if inconsistent, ring to it insofar as it seemed it was acceptable to erode the sovereignty of Westminster Parliament in order to create a free market and establish free trade in Europe, but not to introduce minimum EU legislation in the social policy field.

Historically the authors claim that the free trade/free market concept has been a consistent characteristic of both British and American thinking and involved rejection of the social framework of a free market generally supported by the Continental Europeans. The EWC is an issue, therefore, which represents the crossroads of these currents of economic, social, political and cultural developments.

The misgivings that the British government had about EU social policy were aggravated by a significant decision of the European Parliament (EP) regarding EWCs. In 1992, in expectation of the approval of an EU instrument on EWCs and in the face of resistance in the Council of Ministers by one or two governments, the EP passed a budget of approximately \$14 billion to support and finance exchanges of workers' representatives in TNEs considering the establishment of voluntary EWC agreements. It also gave workers the opportunity to meet their colleagues from other plants in the same country. This use of public funds was reprehensible to the British government as well as to management in many TNEs.

### 3. Relevant Background Factors Regarding TNEs

Although the Conservative government unceasingly opposed the EWC directive and equally unceasingly reminded business in the UK that they need not adhere to it, British companies and foreign companies based in Britain were amongst the first in concluding voluntary agreements in the framework of the directive. These TNEs were influenced by a number of factors. First, many TNEs took the long view that the Conservative government's refusal to accept the directive would be reversed after the next election which the Labour party was expected to win. Secondly, the terms of the directive gave enterprises more autonomy in designing a council during the voluntary period as previously mentioned. They also also be renewed as voluntary agreement after this expiration date if both parties so wish. Thirdly, voluntary agreements can run until five years after the date when the directive comes into force (September, 1996). Fourthly, employees initiating an EWC process in other member countries would likely act in solidarity with their UK counterparts and demand their inclusion. Extensive contacts exist among employees from different member countries via channels provided by European and national union structures aided by funds from the EU. Fifthly, more enlightened large TNEs frequently did not share the government's view about EU social legislation. Evidence from interviews with trade union officials indicates that many TNEs saw the EWCs as potentially beneficial to in-company relations with their work forces. Other TNEs, particularly American, stood on the sidelines intending to wait until they had to do something, but then joined a relative stampede in the spring and summer of 1996 to sign up for voluntary agreements before the September 22 deadline. (The period when voluntary agreements could be negotiated ran from September 1994 to September 1996.)

In addition to the different rationales which TNEs had for seeking voluntary agreements, these TNEs appeared to be motivated by a number of other factors including the relationship between the head office and the subsidiaries. A number of years ago, Heenan and Perlmutter divided TNEs into four different types, ethnocentric, polycentric, regiocentric or geocentric.(Heenan and Perlmutter, 1979, pp.18-19) Ethnocentric enterprises are ones in which the home office tightly controls the overseas subsidiaries and the corporate

culture reflects that of the home country. In polycentric enterprises, management style and practice differ in each locality and managers are recruited locally. Regiocentric TNEs are organized around a region with the subsidiaries in the region highly interdependent and also aloof from the corporate headquarters located outside the region. (This type approaches the ideal as perceived from Brussels.) In geocentric enterprises, the management structure and style is international and the corporate culture transcends national differences.

The implications of the classifications for the implementation of EWCs is fairly obvious. An ethnocentric TNE whose home office is in the United States or the UK would be more likely to resist the acceptance of social policies drafted in continental Europe than other TNEs. Moreover, an ethnocentric TNE probably would resist or not be responsive to demands arising from the work force in countries where it has subsidiaries. At the other extreme, a regiocentric TNE with Europeans from different countries in key positions throughout the region would be most receptive to suggestions for an EWC in its UK operations.

The receptivity or openness of a TNE to discussions for an EWC is also affected by the history of the TNE in the particular country under consideration. If the TNE has been in the country for many years, it takes on more of the local norms. If it has established a "greenfield" site, it is more likely to write its own rules as influenced by the home office. If the TNE is operating in a country as a result of a takeover or a merger, the situation is more complex with "baggage" left over from the previous owners clashing or mingling with the norms of the new owners. In addition, the local history of the TNE affects not only the tenor of labor/management relations but also the relationship between local managers and those elsewhere in the corporate structure affecting how the TNE is disposed to respond to the EWC directive. How the TNE is organized within Europe is also an important influence on labor/management relations and the receptivity of the TNE to an EWC. TNEs with integrated production systems may be more vulnerable to employee demands for an EWC than TNEs that produce the same product at multiple locations or ones that are decentralized. If the TNE has a single European level headquarters, it may be more predisposed towards

EU level agreements with its work force. Where decentralization has occurred down to national levels of labor/management functions then the likelihood is that management will focus on local concerns in its human resource management and be disinclined towards an EU level agreement with labor.

The current research on European TNEs forms a backdrop for the research reported in this paper. The research which is most relevant and which will be used directly in the case studies is the research by Heenan and Perlmutter mentioned above.

#### 4. Trade Unions and EWCs

Trade union organizations are important and complex elements in the EWC equation. Unions have been involved in developing so called Sectoral or Industry Committees at the EU level which have the national sector/industry unions as affiliates. These EU level union structures are important in coordinating the labor approach to TNEs and are usually directly involved in the negotiations for EWC type arrangements in conjunction with representatives of national unions and work forces. They are recognized by the EU Commission as legitimate social partner organizations.

National labor unions have some concerns about dual representation (overlapping organizations inside the work place to represent employees such as works councils selected by all employees and shop stewards' committees composed of leaders of the unionized work force). Therefore, the notion of an internal agreement between a TNE management and its work force has, from a trade union perspective, to be handled carefully. As A. Martin points out, trade unions are faced simultaneously with both an internationalization and a decentralization of key areas of concern. (Martin, 1996) This twin pressure is precisely what is happening in response to the EWC directive. The regulation of the information and consultation issue at the EU level forces internationalization on trade unions and the implementation of it inside the company and/or plant forces decentralization on them.

British trade unions, in particular, have been known for their suspicion of dual representation and also of their suspicion of international linkages among workers. Their suspicion was fueled by the memory of

"combine committees" which existed during the era around World War II and were basically networks of union workplace representatives in TNEs. These militant committees extended beyond the UK to France, Italy, etc., facilitating contacts and coordination among shop stewards and their equivalents in other countries and threatening to undermine national trade union leaders. Given that the British union structure is horizontal and multi-union, in any one company any number of individual unions can exist in a single company all with their own domains and perceived jurisdictions. For example, in Ford as many as seventeen unions existed in the UK plants. Hence the growth of joint union stewards' organizations in TNEs has never been regarded with great enthusiasm by union administrations and they have been denied any recognition by TNE managements. The EWC arrangements coming out of Brussels looked remarkably like the "combine committee" to many British union leaders. A case of deja vu!

The British experience contrasts sharply with the German where a statutory system of works councils has existed for decades linking workplace representatives from the several plants of the same company together in the Gesamtbetriebsrat or company council. The German system has involved both management and managed (union and nonunion) in an ongoing dialogue on economic and other aspects of the enterprise. The strong German trade union movement operates successfully within and along side the system.

It is against this background, therefore, that the UK situation in the EWC context needs to be viewed. Union bureaucracies have been concerned politically to control the development which, in certain respects, could be construed as potentially seditious. This concern arises where the exchange of workers' representatives threatens to produce "unions within unions" but also when companies appear to be attempting to create in-house non union representative systems.

In all but one of the case studies, the official union administrations, from regional, national and EU levels, have been involved with the setting up of the information and consultative arrangements in the TNEs and in the concomitant EU funding activities. It is self evident that, for the first time, TNE managements have to come to terms with the growth of worker/trade union networks that extend beyond the national boundaries.

These networks could neutralize the ability of TNEs to operate in different ways in different countries without being detected.

The cultural tensions that affect management in TNEs have a mirror image on the trade union side. These cultural elements are manifested at several organizational levels -- plant, regional, national and European. This scenario is overlaid in Europe by the ideological pluralism of the trade unions so that national cultures are further fragmented by subcultures nurtured by different ideologies. The authors approached the study with the expectation that such differences would form a major obstacle to the formation of EWCs and were alert to watch for evidence to support the expectation.

Another background factor related to trade unions and EWCs is whether the union is a top-down organization or a bottom-up organization. The scope for trade union action is determined to a significant degree by the membership culture. In some countries, a top down relationship between the national organization and its members is much more acceptable than in others where the political culture is more egalitarian and members have a low tolerance level for top down practices by union bureaucracies. Trade unions in the UK have a tradition of activism at the grass roots through the shop steward movement.

When the EWC is placed in this frame, there are bound to be, at least, political concerns on the union side as work force representatives inside and union officials outside the company try to find an accommodation. The union bureaucracies have their own political agenda which is influenced by the national membership and the union culture. This agenda does not necessarily accord with that of the work force representatives who must respond to the employees in their enterprise.

##### 5. Culture and its Impact on EWCs

The final factor to be considered in section A. is culture as studied by G. Hofstede. He conducted research in corporations throughout much of the world to study how different national cultures affected the work place. Two of the concepts which he developed for his study are of particular relevance for this study - uncertainty avoidance and power distance. The former concerns the degree of tolerance for ambiguity and

the need for formal rules. Power distance concerns the extent of hierarchy and inequalities between employees and management in a firm. Hofstede found that the UK is a low uncertainty avoidance culture with little need for written rules and regulation and an acceptance of ambiguity and uncertainty. His findings accord with the accepted conclusion in industrial relations studies that the UK has a voluntaristic system depending on face to face negotiations rather than on written rules. In this regard, the UK is quite different from, for example, Germany which has a highly developed system of regulations for industrial relations. The UK is a relatively low power distance country and, in this regard, is quite comparable to its Continental counterparts. In this context, UK workers are willing to disagree with superiors and managers expect their decisions to be challenged. In the UK, this low power distance can also be seen in the adversarial bargaining that characterizes their industrial relations system. In addition, a relatively high level of trust exists among employees. (For a more complete discussion see Roberts, Springer, Braaten, 1997)

#### Summary of Part II - A

This survey of background factors shows that the UK was not a promising location for participation in EWCs. On the political front, the government vehemently opposed EWCs and, indeed, any dabbling by the EU in UK employee policies. On the legal front, the British opt out protected TNEs operating in the UK from the requirement to provide for representation of UK employees in their European EWCs. On the historical front, the UK had only the negative experience of "combine committees" in the World War II era. Unlike its Continental counterparts, the UK had not adopted legislation for works councils after the war. Culturally, both trade union and employer organizations accepted voluntaristic practices of industrial relations within a market economy. Trade union organizations endorsed socialist principles, but they did not admire the regulatory states across the channel. They preferred their adversarial system. Within this voluntaristic, adversarial system, labor and management in the UK operate with low uncertainty avoidance and low power distance to provide a culture that is distinct from the ones found on the continent.

#### Section B - Case Studies



The authors undertook five case studies in different TNEs in two separate geographical areas in the UK. The companies were manufacturers in sectors ranging from the production of metal products/engineering to packaging and insulation. The owners were American, German, Swedish and Japanese. These owners had acquired the original companies from British or American owners. The work forces were a mixture of semi-skilled and unskilled except for one plant which had mainly a highly skilled work force.

The basic assumption of the authors was that cultural differences will influence the establishment, development and effectiveness of EWC type arrangements and that the implementation of them by employers will differ according to the nationality and hence the cultural norms of the headquarters of the TNE. In this context, Heenan and Perlmutter's definitions of ethno, geo, poly and regio centric enterprises appears especially relevant whilst Hofstede's uncertainty avoidance and power distancing may well have a relevance to our understanding of the impact of cultural differences on the implementation of EU social policy.

Company A was acquired from the original American owner by a large German TNE. It produces metal containers for the consumer market. Under German ownership, a European level employee representative committee was set up in 1989. The Germans had prior experience with an enterprise wide works council required by German law. It was hardly surprising, therefore, that the company signed a voluntary agreement in August 1996.

According to a study by the European Foundation for the Improvement of Living and Working Conditions, this company agreement gives more power to employees than do the agreements of other TNEs. For example, the agreement provided for two meetings per year, one with and one without the participation of the board of directors. The agreement contains a list of subjects on which management must inform and consult the EWC representatives. The list is longer than the average for such agreements and covers subjects not normally included.

One theme ran through the interviews in this TNE. The theme concerned the differences, perceived by the employees, between German and British managers. The interviewees thought that the Germans were more receptive to cooperating with unions in the plant and that they were more trustworthy and responsive to employee needs. The interviewees also thought that German managers wanted to make the EWC agreement work.

The trade union representative stated that he had entered the negotiations with a negative image of Germans, but came to respect them after working with them. Since the government also publicly disparaged the Germans, the hostility in the local culture was not surprising. The readiness to change was, perhaps, more surprising.

The cultural dimension had another interesting facet, as the authors discovered during visits to plants in Wales. The local Welsh population and work force regarded the English as outsiders much as they did the Germans.

Having Germans running the company raised less concern than might have been expected and the German management acquired a positive resonance with the work force by its public support not only for the EWC arrangement but also for overriding objections of the local British management. The Dutch European human resource director also sided with the Germans and against the British managers in these disputes. The British managers appeared to be threatened by the idea that employee representatives would know more about what was happening in the company than they would through participation in the EWC arrangement.

The British work force appears to have been skeptical about the agreement at the beginning but changed their opinion as the information flow about the company began to arrive via their representative in the EWC arrangement. The British employees were also encouraged to support the agreement by their regional trade union official who had an open and pragmatic approach to the negotiations.

A few tentative conclusions can be drawn from this case. Cultural differences were important. The German management culture facilitated the speedy conclusions of the negotiations. German culture was also

apparent in the length and comprehensiveness of the agreement - reflecting moderately high uncertainty avoidance. The German control over the process indicates that the TNE falls in the ethnocentric category. The home office culture over rode the local one. It is also apparent that moderate power distance, which is associated with both German and British culture, was expressed in the contacts which employee representatives had with top management via the EWC conduit.

Company B was a private, i.e., family-owned, Swedish TNE operating in the paper container sector. The Swedish TNE had acquired the plant in the UK as part of a takeover in 1989 from an American TNE. It had a traditional, paternalistic company culture whereby the Swedish unions had easy access to the owner of the company. Aspects of Swedish practices and cultural tradition cut across the developments for a transnational labor arrangement.

The authors approached the case with the expectation that they would find a weak power distance relationship, leading easily to an EWC arrangement. They found something quite different. The management opposed an EWC arrangement since it would undermine management control of the company. The UK management did not want a works council type structure and the Swedish management felt that, if they must have such a structure, they should control it. Thus at the outset, management resistance was manifest across the TNE - which covered Swedish, British, French, Italian and German nationals.

The trade union side also had its problems. The British union interviewee confirmed once again an anti-German bias amongst the work force. More importantly, he pointed out the obstructionist role played by the Swedish trade union which wanted to be in control. He felt that the Swedish union had a "cozy" situation under the existing system and, therefore, did not need the new system. He felt that the Swedish mentality was unhelpful and caused misunderstandings amongst the unions involved.

An EWC type agreement was signed in November 1995. It contrasted significantly from the one in the first case study. The agreement was for a European Committee whose main purpose was to promote understanding of the enterprise in the EU. Both management and labor representatives attend its annual

meeting. The agreement does not specify the information that management should provide for the Committee deliberations. No provision is made for information feedback to employees. The employee representative said that he still had not received the minutes of a meeting held months before and so he had not reported to the other employees.

The main issues coming out of this study are:

1. The EWC development was welcomed in Sweden by the company only if the company kept control. The European human resource managers' network in the company was, at best, apprehensive and, at worst, hostile to the establishment of links among company employees across national border. This case appears to illustrate an ethnocentric culture operating in a low uncertainty avoidance manner. The company attempted to control the development according to Swedish norms whilst concluding a voluntary agreement which left a great deal to interpretation. For example, the company owner made it known that financial information was not going to be on the agenda of the European Committee. (A caveat needs to be noted on this point. Further research is needed in order to discern what role, if any, the ownership of the firm by a family played in the reluctance to share power. Family owned firms, irrespective of culture, are usually deemed to be more controlling than ones with a corporate structure.)
2. The case study revealed, once again, cultural prejudices and stereotypes among the British work force regarding other Europeans. The work force expressed the familiar anti-German sentiment joined with anger at the Swedes. (The Swedish union had refused to participate on European Committee, but the officials have now stated that they will start participating in the fall of 1997.) No one, however, among the interviewees in either case A or B believed that cultural differences presented an impossible obstacle to the operation of an EWC arrangement.

The unavoidable conclusion is that the EWC agreement was reached only as a result of external pressure on a company operating on the basis of a national culture characterized by weak power distance, low uncertainty avoidance, egalitarianism, etc. However, these national attributes do not seem to have

transferred across borders to aid in the construction of an effective European Committee. Since these findings were so contra-indicated, much more work is needed on the operation of Swedish TNEs in other European countries in order to ascertain if this TNE is representative.

Company C is a company producing insulation products. Its American owners acquired it from British owners in 1987. Employees and trade union representatives were already in contact throughout the company which should have provided a good basis for an EWC arrangement. Also the corporate culture which was to be "ahead of legislation" added to the expectation of prompt agreement on an EWC arrangement. Negotiation did not progress, however, until a high level European manager convinced the head office in the United States that negotiations for a voluntary agreement were preferable to waiting until the law required one. The agreement was signed just days before the September deadline.

The agreement bears some similarities to the one in Case B. It set up a joint body with provision for an employee only meeting immediately before the general meeting of the EWC (European Information Forum). It does, however, provide a more comprehensive list of subjects on which information will be divulged. It covers plants in the EU and also extends to ones in the European Economic Area.

A recurrent theme throughout the interview was the belief that the American management was still reluctant to accept the spirit of participation, especially when it is trade union driven. The American management, according to the union representatives, "wants to make money out of the Forum", a view that the authors heard repeated in a later case study involving a US TNE. The employee representatives went so far as to state that they felt under threat from management for their participation. Communication with the American manager of the plant was poor.

A number of factors made relations among employees from different plants difficult. Management threatened to close some plants so employees at different plants felt that they were in competition with each other. Management exacerbated the situation by making claims regarding inter-country wage costs. The representatives also had conflicts over the allocation of seats for participants from different countries. All of

these factors heightened the already existing cultural sensitivities. Despite these serious problems, however, the participants still believed that the Forum would prove valuable in lessening suspicions because participants would have a common body of information to discuss rather than being dependent on information provided by their local management.

The most significant conclusion from this case study is the ethnocentric dominance of the US TNE in the establishment and operation of the EWC arrangement. The desire for control is expressed in the agreement which gives management control of the agenda, makes no provision for outside experts, limits the opportunities for meetings of employee representatives and contains no commitment to mutual rights or mutual understanding. The announcement of future closures prior to the first meeting of the Forum epitomized for participants the belief that the culture inside the TNE was bottom line driven and prized competitiveness rather than cooperation. It is difficult to be optimistic about the future operation of the Forum.

Company D involves a former British company now owned by an American TNE which produces precision engineering metal products in high demand. It employs a highly skilled work force - a determinant which has its own cultural significance. Employee representatives know that the balance of bargaining power rests with the unionized, skilled work force and this engenders a degree of confidence in dealing with management. The main production site in Europe is in Germany and there is another plant in the UK.

Contrary to the other studies, the interviewees indicated that they had no problem dealing with German nationals on both union and management sides. They did have a problem, however, in dealing with American managers when they went to Europe on an EU funded exchange program. German managers accorded the group a warm welcome at the German plant. French managers reacted positively to the group but less generously than the Germans, whilst the American managers would not even allow the group onto plant premises in the UK. The American management in the UK also refused permission for the UK employee representatives to attend the first EWC discussion meeting on the grounds that the UK was not

covered by the EWC directive. (The decision was reversed following the intervention of the powerful I.G. Metall.) The employees felt that the company human resource policy was in disarray since it had been organized at national levels (polycentric) but now had to adapt to European requirements and a work force with European contacts.

Not surprisingly, the company did not reach an agreement by the September deadline. The fault appeared to be in the American headquarters where, in the words of a European manager, there was "an attitude problem". An interview with management representatives confirmed that UK managers were bound by edicts from the US Board and disliked being in a situation in which their employees had more knowledge of the company operations than they did -- a development which undermined their perceptions of status and authority.

This case study is almost a classic example of how cultural differences can impede policy implementation. The most easily identifiable conclusion is that the American culture dominated the procedure. The American headquarters acted as an ethnocentric corporation, attempting to enforce American managerial prerogatives in a situation defined by European norms and EU policy. The right of managers to manage is a fundamental tenet in American business and EWCs appear to infringe on this tenet. The American behavior could be classed as uncertainty avoidance. Americans did not want to enter into a voluntary agreement for an arrangement that was so foreign to them.

In this case as in the others, the Germans played a highly visible role. Both German managers and trade unionists were perceived to be pushing the EWC process along. They were not able to prevail, however, in the face of the strong ethnocentric culture of the parent country. They were able, however, to get an agreement to allow the British to participate in the process.

The plant work force had a level of confidence in their dealings with management that was not found in the other case studies. This attitude of the work force had the effect of weak power distancing since the management knew that their decisions could quickly and effectively be challenged by the work force. It was

also a factor in keeping out national and European trade union involvement in the process when the local trade union representatives chose not to involve them. The representatives felt confident in dealing with local management, but they were less successful in dealing with the American headquarters. This case will be a fascinating one to watch as it unfolds now in the era of mandatory EWC arrangements. The mandatory agreement will have to comply with German law, because that is the location of the European headquarters.

Company E involved a former, very traditional British company which had been acquired by a Japanese TNE. The British management had a track record of being hard line with the largely unskilled work force. Top managers, however, would undercut middle managers by dealing directly with the work force. The British management had not been able to smooth out the production cycle so the work force faced frequent lay offs which management said were due to some iron law of market economics in that sector. Hence the Japanese take over in the late 1980s was welcomed by the work force and unions alike.

A Japanese team of managers, including human resource managers, took over, cleaned and modernized the plant. They also solved the problem of cyclical production. They were highly visible to the work force. They appeared to be more tolerant of trade unions and even took a group of trade unionists to Japan to visit the operation there. The new harmony did not extend to the still remaining British managers with whom the Japanese managers had frequent arguments - centred mainly on nondelivery of agreed actions by the British managers. After three years, however, the Japanese managers were gradually withdrawn and the work force had to come to terms with the prospect of "living at the coalface" with British managers.

About this time, the union representatives went on their first EU funded exchange visit with their German and French counterparts. The restored British management refused to allow the plant union representative time off or pay to attend the meetings. British management also refused access to the plant when the exchange visitors came to the UK. This contrasted sharply with the response of the German management who hosted a visit including a dinner and an address by the Director of Personnel. French management accorded a similar welcome.



Relations among trade union officials were hindered by the anti-German, anti-EU attitude of one of them. The British shop stewards were able to by-pass the problem, however. They had good relations with their German counterparts but thought the French were too pre-occupied with "French interests".

The employee group met with the top European human resource director who was Japanese and receptive to the prospect of an EWC. On September 6, 1995 a voluntary agreement was concluded. The agreement is interesting in a number of ways. It refers to the company's "trade unions" rather than to "employee representatives". It refers to European integration "as setting new challenges for management and employees..." It mentions discussion between management, the trade unions and Konzer-betriebsrat, i.e., the German company-wide employee representative organ. It also states that the main objective is to provide information to employees and to exchange views between management and employees. These extracts clearly manifest a different cultural approach to employee participation from those found in at least two of the previous cases.

The main conclusions of the case are:

1. The first cultural split is between the established British adversarial tradition and the inclusive approach of the Japanese owners. The appearance of Japanese managers on the shop floor gave employees a perception of egalitarianism that they had not previously had.
2. Given the hostility of British management, the voluntary agreement would not have been reached without the intervention of the Japanese and the Germans.
3. This TNE appears to be ethnocentric as were the previous ones but, in this case, the culture of the headquarters was conducive to an EWC arrangement.

## CONCLUSION

This pilot study of the implementation of the EWC directive in the UK provides a number of preliminary insights which should be useful for future research. For supporters of the EWC directive, it is heartening to discover that implementation of the directive is going forward even in the unlikely soil of the pre-Labour

government UK. Neither the opposition of the Conservative government nor the distinctiveness of the British industrial relations' culture precluded the inclusion of the British work force by a number of TNEs in their EWC arrangement. The process was not tidy and the range and types of actors were enormous. The reality differed greatly from the text book description of policy implementation in the EU. But still implementation was happening. All in all, it was a post-modern phenomenon, but one from which at least six preliminary insights may be noted.

1. The "opt out" did not prevent the implementation of the policy in the UK. Realistically European managers of TNEs did not find it useful to anger their British workers by denying them participation whilst giving participation rights to their other workers in the EU. Furthermore, European-wide networks, especially ones involving trade unions, brought pressure to bear on the TNEs. New communications technologies linked trade unionists so that they were quickly informed of developments in other countries.

The image of the isolated British shop steward no longer exists in plants of TNEs. They have e-mail and network with their peers in other countries.

2. Culture is an important variable to consider when studying the implementation of social policy. Culture affects the style and pace of implementation but does not appear to be an immovable barrier to it. The British employees and their unions were suspicious of both foreigners and of EWCs, but they adapted to both and often played key roles in their EWC. The culture of managers presented a larger obstacle to implementation. American and British managers found the idea of EWCs repugnant. They participated reluctantly and only because of pressure and because the law would require it for their operations on the continent. Studies of the operation of EWCs will probably find that culture plays at least as important role as it did in the implementation stage.

3. The ubiquitous German influence was a somewhat surprising finding of the study. German influence was present at every stage of the process. Part of their influence is based on their economic force and part on the strength of their associations such as I.G. Metall, but a large part is due to their cultural affinity with the

policy. Both German managers and German trade unionists were confident that the policy was viable and that they could work with it. Perhaps more surprising, was the fact that the British representatives did not resent the German influence, but rather appreciated it. Given the larger role of Germany in the EU today, we may have seen in our small study glimpses of a growing "Germanization" of EU social policy.

4. The study of EU policy implementation benefits from the use of concepts borrowed from other disciplines because the study takes social scientists inside corporations where their usual tools do not apply. The realization that TNEs differ was essential to this study and the use of the concepts - ethnocentric, regiocentric, etc. - facilitated our understanding of the dynamics that operated inside the management structure. The concepts of power distance and, especially, uncertainty avoidance guided our drafting of questions and illuminated our understanding of why some agreements were so much more detailed than others. Concepts that provide a basis for classifications are absolutely essential if we hope to make any order out of the infinitely complex task of studying policy implementation in the EU.

5. It is interesting to return to the concept of cultural boundary discussed in the introduction as well as to the question posed regarding the feasibility of a single social policy in an area comprised of, at least, four industrial relations systems. The UK government was not capable of protecting its cultural boundary from penetration by Brussels in this study despite having the protection of the law, the will of the government and the "foreignness" of the policy to British practices. The penetration took place even though Brussels did not actively pursue such a goal. The implementation of the policy inside the UK and its acceptance by formerly skeptical British trade unionists offers a small bit of evidence that a single social policy may be possible for the EU. That possibility may be enhanced, if the policy remains within the sphere of a regulatory policy as defined by Majone. The British employees could accept a policy that was foreign to them, because pragmatically it enhanced their position inside the work place.

6. This study offers some tentative support for the belief that social policy can serve to build commitment to the EU. The experiences which the British representatives had in the negotiations for the EWCs made them

much more positive regarding the EU. The representatives found that they could work with other Europeans and that a policy from Brussels was useful. The contacts made during EU funded study trips created new EU networks and the first positive results of the EWC meeting are now finding their way onto the shop floor in the UK creating small, positive threads in the feedback loop of the EU system.

7. The findings in this study point to the importance of networks and the social partners in the policy process. The policy for EWCs, although adopted as a directive, was designed by the social partners. The next major social policy, parental leave, was adopted via the social partner route. This Maastricht procedure assures that policies have the support of the participants and are adapted to their needs. It also removes national government from their historic role as controller of the policy process inside their borders. The British government was pushed to the side lines when corporations and trade unions decided to implement the directive voluntarily. Perhaps, this is another piece of evidence of the post-modern state.

This study provides a lot of food for thought, but it is important to close with a reiteration of the warning that it is only a pilot study for what the authors hope will be a much larger and more sophisticated work. Policy implementation is a greenfield site for interested researchers.

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