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What the 2013 European Company Survey Tells Us About the Nature and Operation of Formal Employee Representation at the Workplace

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WHAT WORKERS WANT

- In the UNITED STATES: 76% of workers are desirous of some form of voice at the workplace:

➢ either in the form of a workplace committee (31%)

or

➢ union representation (46%)

(The question: ‘What would be the ‘effective’ way to increase employees’ say in workplace matters.’)
Source: Worker Representation and Participation Survey (WRPS, 1994-95; In: Freeman and Rogers (1999).

Individual-level gap in workplace representation

- Defined as the percentage of workers having less involvement in workplace decisions than they want (an overage taken over several issues/workplace decisions). It is equal to 53%.

Workplace Representation Gap in the European Union

- Is the gap smaller in the EU? In 71% percent of the cases, the ER survey respondents have answered that the employee workplace representation body should be more involved in decision making.
- Source: The Employee Representative (ER) Questionnaire of the 3rd European Company Survey of 2013. It contains a total of 28 countries.

Is the representation gap related with the type of workplace representation body?

- Freeman and Medoff (1984): by implication the gap should be lower in the case of works councils. Union workplace entities are likely to be more concerned with redistribution and therefore the shortfall is likely to be higher.

➢ The European Company Survey offers an opportunity to peer inside the black box of the voice mechanism. The role of factors such as:
  - ✓ the resource base of employee representation;
  - ✓ the functioning of employee representation;
  - ✓ information disclosure; and,
  - ✓ the extent of consultation and participation?

The EU Legislation

- The keystone is the Information and Consultation Directive (2002/14/EC):

The European Commission wished to make mechanisms for employee representation obligatory in member states as a part of a project of modernizing production systems in two main aspects:

- ➢ industrial democracy and
- ➢ competitiveness.

- **PRACTICAL OBSTACLES**:

- ➢ There were a variety of national systems which made any standard mechanism impossible to define; and,
- ➢ The absence of clearly defined ‘social struggles’ made it easier for reluctant national governments and employers’ organizations to resist.

As a result only companies with at least 50 employees were obligatory covered. Workers in this case have a right to be informed about the economic situation and employment prospects and about decisions likely to lead to substantial changes in work organization or contractual relationships.

To quickly summarize:

THE EU LEGISLATION FAIL TO PRESCRIBE WORKS COUNCILS/JOINT CONSULTATIVE COMMITTEES AS OBLIGATORY.

Point du jour

Employee voice in a competitive market:

Is it just “another committe meeting? Help!”

Of course one solution for workplace disagreements is exit.

In this case, one has just to improve the possibilities of exit, either by easing the ability of dissatisfiedd workers to quit a firm or of dissatisfied bosses to fire them.

Exit is an incomplete solution, and voice is a possible answer:

- Firms as a group of individuals involved in a profit-sharing game that takes a form of a prisoners’ dilemma.
- The cooperation outcome can be achieved by repeating the game, that is, through long-lasting relationships, including participation.

The dataset

- The Employee Representative (ER) Questionnaire of the 3rd European Company Survey (ECS) of 2013.

- The key question (Q42a.A): *Should the employee representation body be involved more in the decision making in [the] establishment*?

- Limitation: Our sample does not include establishments for which there is no employee workplace representation.

- Respondents: by construction, a person *who is entitled to represent the o*pinions of the *leading* employee representation body at the workplace.

Sample manipulation

- WE DISTINGUISH between formal and informal workplace representation.

Examples:

		Workplace representation	
		Formal	Informal
Country	United Kingdom	Recognized shop floor trade union representation or a joint consultative committee	Any ad hoc form of worker representation
	Spain	Sección syndical	Delegado de personal
	Portugal	Comissão sindical/Comissão intersindical	Delegado sindical

- Purely occupational safety and health committees are also treated as **informal** representation.

- Formal representation at the workplace in Germany: Betriebsrat or Personalrat.

- We constructed a grid for all 28 EU countries (Appendix Table 1)

Definition of the works council/union dummy

- It is defined as equal to one if the works council is either the sole agency at the workplace or, when both works council and union bodies coexist, it is the leading entity by virtue of the identity of the employee representative

- Similarly for the dummy flagging the union representation presence.

- In our sample :

  6,249 establishments have formal representation bodies:

➢ 46% are works council type entities and

➢ 54 % are union agencies.

Resource base, functioning, and information

Observables

- ✓ *employee representative is elected*;
- ✓ *employee representative receives training*;
- ✓ *frequency of meetings with management*;
- ✓ *time allocated to employee representation is sufficient*; and,
- ✓ *the information provided was 'satisfactory'* (quality of information provided by management to the employee representation).

Consultation and participation

There is also a reduced sample comprising a maximum of some 5,600 establishments, for whom it is possible to determine the following four dummy variables:

- ✓ *the ER body was not informed at all by management*;
- ✓ *the ER body was only informed*;
- ✓ *the ER body was informed by management and asked to give its views or involved in the joint decision*; and,
- ✓ *the ER body had some or a strong influence on the management decision.*

Model

Two-level mixed-effects logit model:

$$\Pr\left(y_{ij} = 1 \middle| X_{ij},\ u_j\ \right) = H(X_{ij}\beta + u_j).$$

$H(.)$ is the logistic cumulative distribution function

Establishment i is nested in group (country) j, with $i, = 1, 2, \ldots, I,$ and $j = 1, 2, \ldots J$.

X_{ij} includes all the observed characteristics

u_j is the random intercept.

y_{ij} is the selected 1/0 outcome indicator, the representation gap.

We provide marginal effects, obtained by fixing the country random effects at their theoretical mean (i.e. zero) and setting all control variables at their sample means.

Model

Advantages of a two-level mixed-effects model:

Information at the first-level (i.e. the establishment) nested within countries or clusters (the second level):

(a) observations within clusters are correlated because individual responses from establishments are influenced by the social groups or countries to which they belong; and,

(b) the properties of countries are influenced by the set of establishments that make up the group. In this context, respondents from the same country are thus much more alike than respondents from different countries as a result of some unobserved cluster effect.

WE SHOULD NOTE THAT GIVEN THE DATA STRUCTURE, the estimated standard errors through a standard multiple regression model is likely to be too small if a two-level mixed effects strategy is not followed.

Construction of country subsets by workplace representation type

	Country subsets			
	S1: Countries with a works council-type representation only	S2: Countries with a union-type representation only	S3: Countries with dual systems but in which works council-type representation is found in more than 70% of the cases ('works councils rule')	S4: Countries with dual systems but in which union-type representation is found in more than 70% of the cases ('unions rule')
Countries	Germany, Austria, Netherlands and Luxembourg	Sweden, Cyprus, and Malta	Belgium, Denmark, Estonia, Italy, Hungary, Romania, Slovenia, and Finland	Bulgary, Czech Republic, Ireland, Spain, Greece, Croatia, Latvia, Lituania, Poland, Portugal, and the United Kingdom
Variable: Mean incidence of formal workplace representation (in percent)	55	43	60	35
Variable: Mean shortfall in participation/involvement in decision making (in percent)	63	79	66	76
Rank correlation between country orderings based on the variables above	The null hypothesis of independence is rejected.	The null hypothesis of independence is rejected.	The null hypothesis of independence is not rejected.	The null hypothesis of independence is not rejected.

Establishment-Level Means for the Estimation Sample (in percent)

	By type of workplace representation		
	All establishments	Works council	Union
(a) Establishments with and without a major HR decision taken in the last 12 months			
Shortage in workplace representation	70	66	76
ER resources and functioning:			
Elected employee representative	83	80	86
Employee representative receives training	47	45	49
Time allocated to employee representation is sufficient	88	89	86
Frequency of meetings with management	2.5	2.5	2.5
Information provided by management to the ER body is satisfactory	79	84	73
Number of observations	5,531	2,958	2,573
(b) Establishments with a major HR decision taken in the last 12 months			
Shortage in workplace representation	74	70	79
Provision of information to the ER body:			
The ER body was not informed at all by management	14	13	14
The ER body was only informed by management	19	20	18
The ER body was informed by management and asked to give their views or involved in joint decision	67	67	68
ER influence in the case of major HR decisions:			
The ER body had some or a strong influence on the decision making	69	69	70
Number of observations	4,178	2,210	1,968

Results: Table 4. Analysis of the Shortfall in Desired Employee Workplace Representation (ER), Baseline Regressions, Marginal Effects

	All establishments (1)	Estab. with a major HR decision in the last 12 months. (2)
Type of workplace representation and labor organization:		
Works council (1/0 dummy)	-.088***	-.071***
Establishment union density (in percentage)	.0003	.0005**
ER resources and functioning:		
Employee representative is elected (1/0 dummy)	.058***	.059***
Employee representative receives training (1/0 dummy)	.037***	.031**
Time allocated to employee representation is sufficient (1/0 dummy)	-.087***	-.090***
Frequency of meetings with management (1-5 ordered variable; the higher the value, the lower the frequency)	.040***	.035***
Provision of information to the ER body:		
Information provided by management to the ER body is satisfactory (1/0 dummy)	-.267***	-.217***
A major decision has been taken in the last 12 months (1/0 dummy)	.105***	
Provision of information to the ER body in the case of major HR decisions:		
The ER body was only informed by management (1/0 dummy)		.012
The ER body was informed by management and asked to give their views or involved in joint decision (1/0 dummy)		-.126***
ER influence in the case of major HR decisions:		
The ER body had some or a strong influence on the decision making (1/0 dummy)		-.063***
Number of observations	5,531	4,178

Results: Table 5. Analysis of the Shortfall in Desired Employee Workplace Representation in Selected Subsamples, Marginal Effects

	S1 and S2	S3 and S4	S3	S4	S1 and S4	S1 and S3
Type of workplace representation and labor organization:						
Works council (1/0 dummy)	-.124	-.058***	-.051*	-.063**	-.088***	-.056*
Establishment union density (in percentage)	.0002	.0007**	.001***	.0002	.0002	.001***
ER resources and functioning:						
Employee representative is elected (1/0 dummy)	.101***	.045**	.034	.053	.069**	.054**
Employee representative receives training (1/0 dummy)	.035	.023	.010	.037*	.051**	.029
Time allocated to employee representation is sufficient (1/0 dummy)	-.097**	-.104***	-.053	-.142***	-.122***	-.078**
Frequency of meetings with management (1-5 ordered variable; the higher, the lower is the frequency)	.029*	.032***	.023*	.038***	.042***	.032***
Provision of information to the ER body:						
Information provided by management to the ER body is satisfactory (1/0 dummy)	-.197***	-.216***	-.261***	-.172***	-.198***	-.249***
Provision of information to the ER body in the case of major HR decisions:						
The ER body was only informed by management (1/0 dummy)	-.030	.034	-.005	.076*	.042	-.020
The ER body was informed by management and asked to give their views or involved in joint decision (1/0 dummy)	-.209***	-.097***	-.157***	-.033	-.104***	-.186***
ER influence in the case of major HR decisions:						
The ER body had some or a strong influence on the decision making (1/0 dummy)	-.102**	-.042**	-.053*	-.016	-.039	-.059**
Number of observations	1,214	2,685	1,484	1,201	1,873	2,156

Controling for variation in work climate and trust

(a) Management effort to involve the employee representation, type of workplace employee representation, and the shortfall in desired participation

		Workplace representation		
		Union	Works council	Row total
Management makes sincere efforts to involve the employee representation in the solving of joint problems	NO	25 [92]	17 [92]	20
	YES	75 [70]	83 [61]	80
	Column total	100	100	

Controling for variation in work climate and trust

b) The relationship between management and employee representation, type of workplace employee representation, and the shortfall in desired participation

		Workplace representation		
		Union	Works council	Row total
The relationship between management and employee representation is hostile	YES	11 [89]	6 [87]	8
	NO	89 [74]	94 [65]	92
	Column total	100	100	

Results: Table 7. Controlling for Variation, Marginal Effects

	Case 1 Management makes sincere efforts to involve the employee representation		Case 2 The relationship between management and employee representation is hostile	
	Yes	No	Yes	No
Type of workplace representation and labor organization:				
Works council (1/0 dummy)	-.071***	-.013	-.072***	-.013
Establishment union density (percent)	.0005*	.000008	.0005**	.000008
ER resources and functioning:				
Employee representative is elected (1/0 dummy)	.066***	-.009	.066***	-.009
Employee representative receives training (1/0 dummy)	.031*	-.026	.035**	-.026
Time allocated to employee representation is sufficient (1/0 dummy)	-.100***	-.013	-.088***	-.013
Frequency of meetings with management (1-5 ordered variable; the higher, the lower is the frequency)	.036***	.002	.037***	.002
Provision of information to the ER body:				
Information provided by management to the ER body is satisfactory (1/0 dummy)	-.226***	-.177***	-.214***	-.177***
Provision of information to the ER body in the case of major HR decisions:				
The ER body was only informed by management (1/0 dummy)	.040	.053	.012	.053
The ER body was informed by management and asked to give their views or involved in joint decision (1/0 dummy)	-.111***	.010	-.134***	.010
ER influence in the case of major HR decisions:				
The ER body had some or a strong influence on the decision making (1/0 dummy)	-.070***	-.029	-.064***	-.029
Number of observations	3,272	862	3,783	339

Conclusions

- The desire for greater participation is smaller whenever representation is via a works council-type apparatus rather than through the agency of a union body, the corresponding marginal effect being at least 5 percentage points.

Conclusions

❖ More pronounced are the marginal effects associated with information provision;

. where employee representatives are kept ‘satisfactorily’ informed

. and where they are asked to give their opinions or are involved in joint decisions in the event of some major human resource decision.

In this case, the marginal effects are quite substantial:

20 to 30 percentage points

MAJOR IMPLICATION: if information and participation is effective the desire for greater involvement of the employee representative body in decision making is greatly lessened.

Conclusions (robustness)

❖ Robustness to subsets of the data

- Country subsets, S1, S2, S3, and S4.
- Based on variations in trust between the parties and the perceived quality of the industrial relations climate, the employee representative typically reveals a strong desire for more participation whenever management was adjudged to be uncooperative and untrustworthy, irrespective of type of employee workplace representation, union- or works council-type.

Concluding remarks

OVERALL, we have that the shortfall in representation is observed

- in all types of establishments, with and without a major HR decision, irrespective of country, establishment size, and industry affiliation.
- AND also, it seems, for all establishments, with and without formal workplace representation at all.

THANK YOU!