Beiträge zum Transnationalen Wirtschaftsrecht

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Employee Involvement in Multinational Corporations - A European Perspective

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Employee involvement in multinational corporations
– A European perspective

Von

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A. Introduction

One of the major questions preoccupying decision-makers in multinational corporations is whether a truly global economy lies ahead that is based on complete integration among the major economic powers – the European Union (EU), the United States (US), and Japan – and the regions they head. Many observers hold it equally possible that the main world economic regions – all of Europe, North America, and Asia-Pacific – will become only internally integrated and increasingly compete with each other. Regional patterns of market integration can, thus, be regarded as either a step towards complete globalisation of the world economy, or a world of closed economic blocs.¹

Seeking an answer to this fundamental question would go beyond the scope of the present paper, which aims at identifying a concept for multinational corporations in Europe to involve their employees in corporate decision-making. For this purpose, it can be held that world markets are constantly converging, be it in the global context of the most favoured nation regime as advocated by the WTO, or through bilateral agreements in the ongoing dialogue between the EU and ASEAN or OPEC on the one hand, and NAFTA and Mercosur on the other. It can also be taken as given that, while the regions are increasingly harmonising their norms and standards and opening their markets to one another, competition among them is set to intensify.

Multinational corporations bear witness to these developments, and profit from them, to a greater degree than nationally based firms.² With advancing globalisation, their vanguard position in this process is likely to become more pronounced. Hence, when assessing the prospects for a European corporate settlement, it is important to keep in mind the global picture.

B. The global picture

Given the sheer size of the world economy, it is necessary to limit the analysis to Europe’s major competitors: the US and Japan. Despite Russia’s gas-fuelled economic boom, the importance of OPEC in times of rocketing oil prices, the rise of China, and talk of an African renaissance, it is certainly meaningful to focus on the heavyweights on the world stage. Today, Russia’s economy barely surpasses the size of Spain’s, OPEC has hitherto failed to secure any lasting gains from the recent oil price boom, China’s growth remains largely restricted to the ports on its east coast, and Africa’s hopes of recovery have seriously been hampered by recent waves of bloodshed. The number of multinational corporations from emerging economies is rising, but remains insignificant.³

In a global business environment shaped predominantly by the EU, the US and Japan – often referred to as the triad – their prevailing management paradigms and

¹ Stubbs/Underhill, Political economy and the changing global order, 331-334.
² Hymer, The international operations of national firms, 27 ff.
employee relations, are of particular interest. Their underlying similarities and differences shall in the following be explored with special attention to the element of employee involvement in corporate decision-making. Finally, the question shall be answered, which aspects of the models applied by each of the triad powers are particularly well-suited for globalisation and for application in Europe.

I. The US

The American way of corporate governance has by far been the most influential around the globe since the US took over the political, military and economic leadership of the free world after the end of the Second World War. Management in America was conspicuously more professional and efficient than in the largely technical and corporatist Europe of the time. Its ideas and paradigms were consequently spread, and happily received, across the old world with the growing expansion of multinationals and consulting services from the US. Through the impressive economic boom of the 1990s, American business culture has further reinforced its dominant position in world markets and the minds of many European executives.

US companies operate in a particularly liberal business environment, which allows the economy to unleash its full potential. Not by coincidence has the US repeatedly been ranked first by the Swiss-based Institute for Management Development in its annual world competitiveness index. Neither company nor labour laws are stringent, allowing for a high degree of flexibility in corporate decision-making. Companies are free to pursue shareholder values, widely perceived as the ultimate expression of corporate democracy. The notion of employees as stakeholders equal to the owners of a firm is resisted.

A defining feature in the evolution of employee involvement was the crushing of trade unions and the establishment of pro-management company-based unions, which often act as an unofficial arm of management. This allows the executive boards of most large corporations unfettered discretion and imbues them with sufficient confidence that decentralising decision-making does not undermine their authority. US firms have also frequently resorted to paying their employees efficiency wages, in order to reduce the incentive for unionisation and collective bargaining. Starting with carmaker Henry Ford’s famous USD 5 workday in 1914, all the way to the salaries offered for consulting services in the 21st century, American companies have raised their employees’ productivity and efficacy by paying wages above the equilibrium level.

Nevertheless, the phenomena of job-hopping and job-rotation are much more common in the US than in Europe, let alone Japan. This is partly due to a higher rate of outsourcing in the production process as well as a constant marketing push to develop and sell ever new products and services, and reinforced by an obligation for

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4 Gourevitch/Shinn, Political control and corporate power, 241.
6 Gourevitch/Shinn, Political control and corporate power, 242-258.
7 Mendel, Partycypacja w zarzadzaniu współczesnymi organizacjami, 139 ff.
8 Raff/Summers, Did Henry pay efficiency wages?, 57-86.
greater transparency and the publication of quarterly results under US-GAAP accounting rules. While American brands outperform their European and Asian competitors in rapid responses to market demands and pin-pointed attacks on booming market segments, their long-term strategies, especially with regard to human resources management, are often comparatively less elaborate.

Over the last decade, business in the US has, in fact, enjoyed a splendid virtuous circle. Strong corporate investment has lifted productivity growth and helped to keep inflation low, which boosted profits and share prices. That, in turn, reduced the cost of capital and, therefore, stimulated further investment and productivity gains. Faster economic growth has, at the same time, resulted in a stronger dollar, which also helped to hold down inflation and interest rates and so supported growth. Until mid-2000, America’s stock markets, which had been going up for 18 years with only brief interruptions, seemed to rise above Newton’s immutable law.

Then the apples started to fall one by one. Nasdaq, the repository of high-tech wonder shares, breached the 5,000 mark in March 2000 but dropped sharply thereafter. By 2001, its value had halved from its peak. The internet sector, where many shares plummeted by 90 percent or more, proved to be only the beginning. Media, telecoms and technology followed suite, and even old-economy stocks were not spared. However, corporate profits and share prices still remain much higher than they were only a few years ago. It was, after all, only in 1995 that the Dow Jones Industrial Average reached 5,000 points for the first time ever – less than half its present value.

Even if America slips into a recession over the next years – making it look less of a model for globalisation than it used to – this should not lessen Europe’s zeal for economic liberalisation. One reason is that flexibility in the US will not only help its companies to recover quickly, but also continue to give them a crucial long-term advantage. The recent relative performance of Germany and France deserves attention in this regard. Not by coincidence has France moved towards liberalisation, while recent measures have arguably made the German labour market less flexible.

Another reason is that productivity gains from investing into information technology pay better for firms operating in flexible economies. Business in the US has made real gains in productivity that will survive a possible downturn. Inflexible markets, on the contrary, hinder the free movement of labour and capital that is needed to unlock productivity gains and raise living standards. If unemployment in Europe starts to climb again, European companies should, therefore, not blame their lay-offs on America’s slowdown. They would better accept that most of the blame lies with labour market policies at home.

II. Japan

In evaluating Japanese management paradigms, one should not oversee the peculiar cultural and social preconditions without which the Japanese concept of employ-
ment relations could not possibly exist. Culturally, modern Japan remains a widely homogenous society. Support for the large national industries is still a political priority. The export-driven economic push by the state has a profound impact on a broad range of policy choices, extending from education to fiscal and monetary policies.

Embedded in this national consensus, Japanese companies do not merely pursue one-dimensional business goals based on purely financial benchmarking. Instead, they concentrate their efforts on the achievement of a number of inter-connected goals. The Japanese business community aims to satisfy the needs of a host of interest groups, including clients, employees, shareholders, local communities, as well as the wider public. Although this sounds reminiscent of the stakeholder model in western management theory, profound differences do exist.

Japan’s elitist system acts as a filter on the expression of the needs to be satisfied. Shareholder values are still second to corporate investment strategy. Employee involvement is also limited to the extent to which the interests of the workforce seem complementary to corporate development. The dominant overarching aim, which corporate leaders always keep in mind, is to advance the national economy as a whole and overcome its current woes, so as to enable Japan to reclaim the place it rightfully deserves in the global economy.

Corporate leadership is based on a subtle consensus-building process, avoiding open confrontation and predisposing a high degree of group conformity. Decisions are only taken after numerous rounds of informal discussions and feedback from all partners in the strategic keiretsu industrial conglomerates. The informal but efficiently co-ordinated networks minimise risks by making sure that all interests perceived as being of relevance are being taken care of. They can even be identified as fulfilling the functions that in western companies are the domain of controlling and risk management. These highly complex structures are often difficult to comprehend for the westerner. But one of their consequences is certainly the supreme efficacy in production and quality control that Japanese companies have owed their global successes to.

The continuous kaizen optimisation process is another important characteristic that distinguishes them from western management practice. It provides for prestigious rewards and cash lump sums to encourage individual employees and working groups alike to come forward with improvement proposals. Their ideas are then evaluated in a non-bureaucratic manner, and, where deemed worthy, immediately put into practice.

Yet another distinct characteristic is the famous just-in-time principle, by way of which departments of one and the same corporation treat one another as if external clients. The desire to meet client expectations motivates employees in all departments to optimise their working processes, notwithstanding whether clients are external or

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12 Drelich-Skulska, Ewolucja zagranicznej polityki ekonomicznej Japonii u progu XXI wieku, 53-58.
13 Grabowiecki, Japonia, 125-144.
14 Młodawska, Rola państwa w branżach wysokiej szansy w Japonii w latach 1950-2000, 75.
15 Mendel, Partycypacja w zarządzaniu współczesnymi organizacjami, 16-23.
17 Drelich-Skulska, Ewolucja zagranicznej polityki ekonomicznej Japonii u progu XXI wieku, 90-103.
18 Gliński/Kuc/Szczerbowski, Zarządzanie strategiczne, 104-110.
internal. This ensures a neat functioning of all internal procedure, so that each service or product is delivered in the right shape, at the right time, at the right place.\textsuperscript{19}

Formal employee involvement does not exist. Unions operate at corporate level but there are no nation-wide structures comparable to western trade unions.\textsuperscript{20} In contrast, staff representatives are often promoted to key positions in human resources departments as a natural step in their careers. There is no group solidarity among employees as against management, since it is the entire corporation that is regarded as the identity-building group.\textsuperscript{21} Inside, there is room for competition but not conflict. All employees share a personal interest in the prosperity of their company. Since social security and benefits concentrate on corporate schemes in Japan, their generosity depends on a company’s economic situation. Hence, they too are regarded as an expression of the firm’s profits achieved through common action.\textsuperscript{22}

Because of its pronounced dependency on national and cultural prerequisites, the Japanese model of employee relations is not fit for globalisation. The inherent difficulties experienced by Japanese companies struggling to keep their overseas sites in Europe or the US as close as possible to home standards,\textsuperscript{23} bear witness to this fact. The transformation from largely homogenous export-oriented Japanese corporations into truly multinational ones will, therefore, be especially difficult and challenging.\textsuperscript{24}

However, their highly efficient co-ordination of internal processes towards common corporate aims and values should certainly be held up as a shining example. The importance of staff motivation alongside involvement is perhaps the most important lesson to be learned from the Japanese model. Maximum use of a company’s creativity potential and employees’ full understanding of the wider context in which corporate decisions are taken, will no doubt provide valuable enhancements to European competitiveness.

III. Between America and Asia

European governments have long been lectured by economists on the urgent need to improve their business environment to make it look more like those of global role models, which meant Japan in the 1980s and the US in the 1990s. This was the only way, the sermon goes, to remain competitive in a globalised economy, and to boost growth and jobs. At their Lisbon summit in June 2000, EU leaders famously declared to change their policies and make the EU “the most competitive and dynamic knowledge-based economy in the world”.\textsuperscript{25}

Progress towards this ambitious aim has stalled. A powerful reason for the slowdown might be that the gleam of both American and Asian flagships has faded, tempting many European political and business leaders to question whether there are any

\textsuperscript{19} Grabowiecki, Japonia, 168.
\textsuperscript{20} Ibid, 179-184.
\textsuperscript{21} Młodawska, Rola państwa w branżach wysokiej szansy w Japonii w latach 1950-2000, 84 f.
\textsuperscript{22} Kabaj, Partycypacyjny system wynagrodzeń, 174-177.
\textsuperscript{23} Kulczycka/Bukowska, Satysfakcja z pracy w kontekście kultury organizacji, 86-87.
\textsuperscript{24} Drelich-Skulska, Ewolucja zagranicznej polityki ekonomicznej Japonii u progu XXI wieku, 250 ff.
seriously challenging competitors – let alone role models – left on the global stage, at least for the time being. The south-east Asian so-called tiger economies have never fully recovered from their crisis, which began with the fall of the Thai Bath in 1997 and led several South Korean MNCs to scale down their overseas operations in Europe in the end. The crisis has certainly not improved the standing of Japan either, which has been struggling to reform its economic and financial system for years. Turmoil and even recession experienced in several emerging, mainly Latin American, markets, spawned by the 1998 Russian financial crisis, have shed further doubts on business structures there. The turmoil in the US following the Enron and WorldCom scandals in 2002 and the recent mortgage crisis has given many opinion leaders in Europe the rest.

While there is, of course, little reason to be complacent in Europe – which would naturally be folly in an inter-dependent world – the view is gaining ground that Europe should advance its own model of corporate governance. Provided that it has learned the lessons from the US and Japan, Europe, at the heart of the triad, is well-positioned to produce a model, which sophisticates but does not complicate decision-making, one that is guided by shareholder values but does not fail to put the employee at the heart of corporate strategy. In short, a model fit and groomed for globalisation.

In Victorian Britain, an approach known as the “abroad is best” came to be widespread among the educated ruling classes who sought to improve their lives by importing the idealised ways of other nations – most prominently those of Republican France. The results were, albeit, disappointing for many British aristocrats who failed to adapt themselves to the foreign ways, causing them much depression. Having paid all due respect to Asian and American ways, the European business elites of today should omit the same mistake.

Though globalised and convergent, the regions of the world are characterised by different legal and economic regimes. Hence, the next step in the search for a model for multinational corporations to follow in Europe shall be to look at the rules presently governing business in the European Union.

C. European model

In contrast to the US and Japan, employee involvement in its various forms exists in almost every European country. Quite naturally, however, differences along national, but also industry and corporate, lines are manifest. Even when focusing analysis on a relatively coherent group of states, such as it is the case with EU members, a broad range of dissimilarities immediately becomes evident.

A majority of states provide for a set of rules for employee involvement by legislative act, while Denmark, for instance, leaves this to a co-operation agreement between the social partners. In Belgium, involvement is mainly a trade union domain, whereas

27 Drelich-Skulska, Ewolucja zagranicznej polityki ekonomicznej Japonii u progu XXI wieku, 252-255.
28 Młodawska, Rola państwa w branżach wysokiej szansy w Japonii w latach 1950-2000, 158-165.
29 Swabey/Bogart, Employment terms and conditions.
Germany or Austria strongly emphasise the formal independence of their works councils. Works councils are restricted to only a minor part, or in fact no part at all, in countries like the United Kingdom but play a major role in the employment relations of most others. While Spanish or Portuguese works councils are made up of employees only, their French or Belgian counterparts are constituted on terms of parity between staff representatives and management and chaired by CEOs. In Denmark, registered trade unions only are reserved the right to field candidate lists for works council elections, whereas the French system allows non-union candidates to stand in the second of two polling rounds. German law, in contrast, does not require candidates to be organised in trade unions at all. French law puts emphasis on information and consultation rights, other legal systems single out participation and co-determination.

These are but few of the most important dissimilarities across Europe. Works councils, furthermore, vary as to their funding, size, scope of action, and composition of white and blue-collar workers.\(^{30}\)

The practice governing the institutional framework of social dialogue, the setting for collective bargaining and arrangements for conflict resolution to a large extent continue to be determined at national level. Despite far-reaching progress achieved through the process of European integration in many areas of social and corporate law, employment relations are still underpinned by strong national traditions.\(^{31}\) The above overview of regulations and practices in the individual member states of the European Union outlines the great diversity in the machinery, competence and coverage of the various national systems of employee involvement. As undertaken with management paradigms and employee relations in the US and Japan, the following section shall identify the origins and consequences of the major streams prevalent in Europe. The second section raises the question whether harmonisation is necessary, and examines the defining features of a possible single European model.

I. Three models

Historically, politically and practically, three different models of employee relations can be distinguished. These are (1) the Swedish model, being applied in all of Scandinavia, Germany, Austria and the Benelux countries; (2) the English model, covering the United Kingdom and Ireland; and (3) the French model, wielding influence in all Mediterranean states.

The core of the Swedish model – by far the most influential in Europe – lies in collective bargaining and wage agreements between employers and employees of at industry level. The two sides are referred to as labour market parties in Scandinavia. The foundations can be identified as having been laid by the German labour movement of the late 19th century, which merged the numerous tiny craft unions into strong trade unions along industry lines to include both skilled and unskilled work-

\(^{30}\) Klinkhammer, Mitbestimmung in Deutschland und Europa.

\(^{31}\) Europäische Kommission, Die Regelung der Arbeitsbedingungen in den Mitgliedssstaaten der Europäischen Union.
ers. This development was soon followed in the northern European countries, and the first collective agreements were signed at the turn of the century.

The clear distinction between the political aims of the labour movement and the economic goals of the trade unions was a milestone in their evolution. Combined with organisational discipline, it guarantees industrial peace – the absence of strikes and open conflict – throughout the duration of collective agreements. It also resulted in the so-called pacification of the company level, as conflicts and negotiations were transferred to the industry level. Because the state rarely intervenes in the negotiations among the social partners, an absence of politics from employment relations can be noted.

No such pacification of the company level can be encountered in the evolution of the English model. In contrast, informal negotiations between shop stewards and executives constitute its core. The historical rift in craft unions and the general workers’ union has largely remained in place. No sectoral trade unions with organisational discipline have developed, which could have formed the basis for industry-level collective bargaining. Hence, German writers have described the English model as one of “pre-collective” employment relations.

Here, negotiations on a sectoral basis set only a general framework for company-level agreements, which allows for more flexibility. It is mainly conflict prevention measures and solutions for companies rather than actual working conditions that are decided at industry level. Thatcherite policy in the 1980s has significantly eroded trade union support. Decisions on strikes or other action against employers on the part of shop stewards today have an informal rather than binding character for employees. Thus, many a protest measure against an employer is only symbolic and does not exceed the time span of an ordinary coffee break.

Employee relations under the French model have always had a strong political element at their heart. Historically, the parties of the left used to perform relatively poorly at national elections, which brought trade unions onto the centre stage of their political agitation. In most Mediterranean countries, the largest unions were dominated by communists over a considerable period of time. Major conflicts about wages and labour policy have not only been waged against employers but primarily against conservative governments.

Discipline within unions tends to be weak. Most collective agreements have no specific time frame but are simply valid until one of the parties decides to challenge them. Staff representatives reserve themselves the right to spontaneous action in individual companies. Prominent examples were the large-scale demonstrations that paralysed all public transport in and around Paris in 1995, the 1998 strike warning by Air France staff during their country’s hosting of the football world cup, as well as numerous road blocks by French farm workers and lorry drivers in recent years.

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32 Diefenhammer, Mitbestimmung in Europa.
33 Filla, Zwischen Integration und Klassenkampf, 62-63.
34 Müller, Mitbestimmung in Skandinavien.
37 Hoffmanns/Wiepen, Mitbestimmung in Europa.
These three different models have one interesting feature in common: nowhere and never is employee involvement in multinational corporations – by its very definition, undertakings consisting of companies registered in more than one nation state – at the centre of employee relations as yet. It plays an often important, but secondary, part in a business environment shaped by sectoral (as under the Swedish model), macroeconomic (the French model) or individual company agreements (the English model). This point is highlighted by the limited power conferred onto European Works Councils (EWC), an institution established with reference to the bodies prevalent in most EU member states. With increasing transnationalisation of economic activity through the single European market, corporate decision-makers and European policy-makers recognised the need for a multinational solution to complement employee involvement provisions at national or local level. Multinationals needed a tool to sustain a two-way information flow between management and staff to bridge the growing gap between workplaces and centres of strategic decision-making in ever larger corporations. However, the EWC so far fell short of meeting these expectations.

Another interesting fact becomes clear in this context: employee involvement at corporate level is most prominent in economies with the weakest influence of employee representatives in overall industrial relations.

II. Changes ahead

Fundamental changes are underway in each of the three streams. A process of harmonisation appears to be taking place. Although a debate about the demise of the Swedish model has been led in the early 1990s, employment relations in northern Europe by and large continue to display the characteristics outlined above. However, they show a clear trend towards flexibility and de-centralisation. The more flexible English and French models, on the other hand, look set to become more formalised in the near future. Here, collective bargaining has already developed far more formal in recent years than has traditionally been the case.

The entry into government of centre-left parties in a number of European states since the mid-1990s has also had a profound impact. While it is not the aim of the present paper to assess their economic policies, it should be noted that the rise to power of formerly socialist parties on a pro-business platform has certainly led to a withdrawal of politics from employee relations. An equally important development was the steady liberalisation of labour relations advocated by EU institutions, which has allowed for more room for flexible corporate agreements in all three models.

Today decisions on the macroeconomic, the sectoral and the company level, are increasingly being taken in a European context. With the completion of the single market, most economic decision-making powers have moved from national capitals to

38 Wratny, Partycypacja pracownicza.
40 Lecher/Nagel/Platzer, The establishment of European Works Councils.
41 Wratny, Partycypacja pracownicza.
Brussels and are exercised in a Community context. The adoption of a single currency by most EU members and the resulting need to harmonise monetary as well as fiscal policies to keep inflation low have acted as a catalyst to this process. Similarly, sectoral agreements more often than not take into account the European implications, although no Community framework for collective bargaining is in place yet. Lastly, multinational corporations tend to pool their European decision-making in view of the single market. With transnationalisation and intra-Community merger and acquisitions (M&A) activity catching pace, this course of action is almost certain to intensify.

In addition to this vertical upward shift of power from national to European decision-making, a horizontal shift away from collective macroeconomic or industry-level agreements to more flexible company-specific solutions can be noted. As a consequence of intensifying cross-border M&A activity, many multinational corporations now have the size and turnover that were computed for entire industries within national bounds in earlier times. These blue chip companies negotiate with staff spread over several member states and try to ensure a level playing field for employees irrespective of their business location.

It is in this respect, that multinational corporations add momentum to the harmonisation of employee relations in Europe. Through the vertical shift of decision-making power to the European and the horizontal shift to the company level, harmonisation is an evident process in Europe. It is not brought around by an interventionist policy from above, but by the forces of the free market and the interplay of all actors in the economy. In this context, it appears likely that this sort of harmonisation will go hand in hand with the establishment of two principles already referred to above: (1) that of a level playing field and (2) of flexibility. A level playing field for employers, employees as well as states, to do away with complaints about social dumping, unfair competition and unnecessary burden on business for good. And flexibility for companies and their staff to reach their own agreements on involvement suited to their individual needs.

The impact of employment relations within a firm is rarely direct but more akin to osmosis, thus, affecting the general corporate climate. A focused set of principles, which confines itself to limited but precise objectives, can often have a more noticeable influence than tight interventionist regulation which unnecessarily constrains business. The Sullivan code for US multinationals operating in South Africa under Apartheid, which commentators agree had a significant impact, is a good example.

Indeed, multinational corporations tend to be more responsive internationally to national employee relations norms than might otherwise have been expected. To a large extent, this can be explained by public pressure. Consumer as well as shareholder support for eco-friendly labels, steadily on the rise since the 1970s, has been followed by growing demand for labels deemed socially acceptable. France is the country with the highest number of studies – and, thus, the highest degree of reliability – carried

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43 Europäische Kommission, Industrial relations in Europe 2006.
44 Taylor, FT vom 03. Dezember 1999.
45 Bödding, Die europarechtlichen Instrumentarien der Sozialpartner.
46 Kang/Johansson, Cross-border mergers and acquisitions.
47 Rudolf, Partycypacja pracownicza, 279-295.
out on this subject. Accordingly, 72 per cent of the population take companies’ social records into consideration when making their spending choice – with the number still rising. Studies in the United Kingdom and Scandinavian countries also show that a majority of consumers are ready to pay up to 10 percent more for products and services made under more acceptable employment conditions.48

There are justified fears that regulation could impede the competitiveness of European brands, but if sensibly enacted, a European-wide set of principles in employment relations can add them a competitive advantage in global markets. A precise set of rules embedded in a code that provides the norms and general principles but leaves enough room for flexible solutions tailored to individual companies’ needs shows the way to the future. It would provide corporations with a clear framework within which to streamline decision-making, while giving consumers and investors alike a clearer picture of what they are buying with regard to working conditions and standards. When it comes to employment relations, the label Made in the EU should speak for itself.

D. Conclusion

As has been demonstrated, national laws and traditions of employment relations in European countries differ, often fundamentally, from one another. Given that a code is best suited to circumstances where opposing elements are to be made compatible, there can be no doubt that the involvement of employees in Europe is a suitable environment.

With rising importance of social responsibility in business, a number of codes and principles of corporate government are valid around the globe. The relatively recent re-emergence of these codes may be based on Anglo-Saxon models, but common threads have run through all of the business cultures cited. With regard to employee involvement, they usually deal with matters, the ultimate resolution of which is intended to be left largely to the participants and practitioners themselves. The Guidelines for Multinational Enterprises, issued by the OECD after a thorough review in 2000, constitute a prime example for this. Another cornerstone of established principles for corporate governance is the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the key thrust of which is towards the information and consultation of employees.

In addition to their respective regulations on the subject, a number of European states have established their own corporate governance codes, which like those issued by the global organisations emphasise the benefits of information and consultation of employees in multinational corporations. As the previous chapter has shown, within the great diversity of national regulations it is the element of information and consultation that is known to all business cultures in Europe.

This point is backed by the vast majority of European Works Council agreements negotiated to date, which show a strong tendency towards information and consultation.49 The issue of the EWC is in turn so inextricably linked to the project of the

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48 Itschert, in: Gabaglio/Hoffmann (Hrsg.), European Trade Union Yearbook, 191-211.
49 Weber/Forster/Egriboz, Costs and benefits of the European Works Council directive.
European Company (SE) statute, that it is difficult to treat one without the other.⁵⁰ Proposed as early as in the 1960s to enable multinationals to substitute their array of national statutes for one European statute on a voluntary basis, no SE regulation would have been accepted without an accompanying directive on employee involvement.⁵¹ Differences in national systems of employment relations made compromise on this matter extremely difficult. The compromise finally struck,⁵² leaves ample space for tailor-made solutions to suit individual companies’ needs, but focuses clearly on information and consultation of employees.⁵³

It should be noted, however, that a future European corporate governance code would not necessarily limit provisions on employee involvement to the information and consultation procedure but leave the field open to their participation or codetermination in corporate decision-making. Without shying away from explicit references to these and other traditions from the three identified streams in the rich European experience and heritage in employee involvement, it should at the same time not omit to draw on the lessons learned from the global role models portrayed. Integrating best practices from the US – efficiency gains through flexibility – and Japan – staff motivation and their integration into corporate strategy – into a European corporate governance code would give multinational corporations based in Europe and their employees the best toolset to find their unique most suitable solutions. Business in Europe would become well-placed to gain competitive advantage through its human resources.

⁵⁰ Buschak, European Works Council Agreements so far.
⁵¹ UNICE, European Company Statute.
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