

# Employee representation regimes in Europe: differences and effects

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*Presentation ILERA, Amsterdam, 20 June 2013*



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## Elements of the title:

1. REPRESENTATION REGIMES
2. DIFFERENCES → A CROSS-COUNTRY COMPARISON
3. EFFECTS → FIRM PERFORMANCE

1. Employee representation ~ Directive 2002/14/EC  
(at workplace level) (Information & Consultation Directive)

~ Two main types:

a) *I&C bodies* ; b) *Trade unions*



Deliberative role



Bargaining role

- ~ Voluntary vs Mandatory
- ~ Degree of prerogatives

## Elements of the title (continued):

2. Cross-country comparison: 25 EU member states

3. Firm performance (usually): productivity, profits, employment, innovation, wages.

→ In this study: '*Economic situation of the establishment*'

## EFFECT OF I&C BODIES ON FIRM PERFORMANCE:

### THEORETICAL EXPECTATIONS

1. According to *mainstream literature*:

I&C body - is intermediary

- provides & receives information
- consults with management

Saves on transaction costs  
Enhances trust  
Stimulates commitment

→ Enhances firm performance

But also:

I&C body - might delay decision-making

- may consist of incapable persons
- coincides with additional costs

→ Decreases firm performance

Plus the notion, that effect may differ with firm size

## EFFECT OF I&C BODIES ON FIRM PERFORMANCE:

### THEORETICAL EXPECTATIONS (continued)

2. According to *additional insights*:

- Not the mere presence but the *functioning* of the I&C body is decisive  
→ in our analysis: the role of *attitudes*
- Role of *trade union* & presence of *collective labour agreement*
- *Institutional environment* matters

## Europe: 5 clusters



Source: Altmeyer 2005

## Cluster characteristics

	Germanic	French	Anglo-Saxon	Scandinavian	Transition
Main representation body (at workplace level)	Works council	Union	Union	Union	Union <i>or</i> works council
Secondary representation body (at workplace level)	–	Works council (often joint)	Joint consultative committee	Cooperation committee (joint)	Works council <i>or</i> union
Information rights*	+++	++	+	+++	+ / ++
Consultation rights*	+++	++	+	+++	+ / ++
Co-decision rights*	+++	–	–	++	– / +
Main level of bargaining	Sector	Sector	Firm	Sector	Firm <i>or</i> sector
European Participation Index (unweighted average per cluster)**	0.64	0.45	0.27	0.82	0.36

\* – means absent, +, ++ and +++ indicate an increasing degree of rights

\*\* = the unweighted average of three dimensions: formal workplace participation, board representation by workers, and collective bargaining representation (union density + collective agreement coverage)

## Data & models

- EU survey: ECS2009
- Per country approx. 1,000 establishments
- Management respondents

Two types of models, both explaining *economic situation*:

- 1) I&C body as dummy
- 2) Attitude toward I&C body

With both models, we additionally included *interaction effects*

## Basic Model

Economic situation  
= function of:

- Employee representation (I&C, Union),  
or Attitude (mutual understandings)
- Firm characteristics (size, sector, productivity)
- Workforce characteristics (high skilled, female)
- Industrial Relations char's (coll. labour agreem.)
- HRM char's (incentive pay, personnel problems)

## Results: basic dummy model

	Economic situation				
	Germanic	French	Anglo-Saxon	Scandinavian	Transition
<b>Employee representation</b>					
I&C	-0.659***	-0.061	1.303**	-0.206	0.38
Trade union	0.204	-0.111***	-0.147	-0.002	-0.208***
Control variables	Included	Included	Included	Included	Included
Observations	1755	4069	580	1669	1310

## Results: dummy model with Interaction I&C x Size

	Economic situation				
	Germanic	French	Anglo-Saxon	Scandinavian	Transition
<b>Employee representation</b>					
I&C	-0.799***	-0.015	1.948**	-0.166	-0.163
union	0.172	-0.102**	-0.141	-0.006	-0.217***
<b>Interaction effect</b>					
I&C x size_1 (< 19)	-	-	-	-	-
I&C x size_2 (19-49)	0.245**	-0.000	-0.294	0.086	0.280
I&C x size_3 (50-249)	-0.211*	-0.007	-0.596**	-0.068	0.181
I&C x size_4 (250-499)	-0.416*	-0.171*	0.081	-0.335	0.309*
I&C x size_5 (500+)	-0.791***	-0.258*	-0.457	0.189	0.035
Control variables	Included	Included	Included	Included	Included
Observations	1755	4069	580	1669	1310

## Results: basic attitude model

	Economic situation				
	Germanic	French	Anglo-Saxon	Scandinavian	Transition
Attitude variable: 'The employee representation helps us in a constructive manner to find ways to improve the workplace performance'					
Attitude	0.051*	0.040**	0.135	0.121**	-0.15
Union	ns	ns	ns	ns	-.***
control vars	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
Observations	988	1933	165	467	486

## Results: attitude model with interaction x Size

	Economic situation				
	Germanic	French	Anglo-Saxon	Scandinavian	Transition
Attitude variable: 'The employee representation helps us in a constructive manner to find ways to improve the workplace performance'					
Attitude	0.154**	-0.025	0.135	0.247	0.679***
Union	ns	ns	ns	ns	-.***
Attitude X size_1	-	-	-	-	-
Attitude X size_2	-0.096	0.099	0.087	-0.274	-0.667**
Attitude X size_3	-0.115	0.073	-0.148	-0.148	-0.611***
Attitude X size_4	-0.237**	0.052	-0.317	-0.070	-0.831***
Attitude X size_5	0.057	0.045	-0.227	0.212	-0.834***
control vars	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
Observations	988	1933	165	467	486

## Conclusions

- Voluntarily installed I&C bodies stimulate firm performance;
- A positive attitude of management vis-à-vis I&C body stimulates performance;
- Transition cluster differs most from other clusters, esp. when size is taken into account.

APPENDIX: BACKGROUND INFORMATION

I&C-body and union  
per country and per cluster

Country	Union		I&C body	
	N	Presence (in %)	N	Presence (in %)
Germanic cluster	1755	56,30%	412	9,47%
AT (Austria)	558	41,04%		
DE (Germany)	785	64,97%		
NL (Netherlands)	412	60,44%	412	9,47%



## I&C-body and union per country and per cluster

Country	Union		I&C body	
	N	Presence (in %)	N	Presence (in %)
French cluster	4069	47,51%	2943	33,40%
BE (Belgium)	520	60,58%	520	45,58%
EL (Greece)	613	6,69%	613	10,44%
ES (Spain)	958	65,87%		
FR (France)	573	76,79%	573	51,83%
IT (Italy)	750	49,73%	750	46,80%
LU (Luxembourg)	168	67,26%		
PT (Portugal)	487	4,11%	487	6,98%

## I&C-body and union per country and per cluster

Country	Union		I&C body	
	N	Presence (in %)	N	Presence (in %)
Anglo-Saxon cluster	580	28,45%	580	27,07%
IE (Ireland)	266	22,93%	266	28,20%
UK (United Kingdom)	314	33,12%	314	26,11%

Country	Union		I&C body	
	N	Presence (in %)	N	Presence (in %)
Scandinavian cluster	1124	41,55%	1669	69,50%
DK (Denmark)	485	48,66%	485	66,60%
FI (Finland)	639	36,15%	639	68,86%
SE (Sweden)		0,00%	545	72,84%

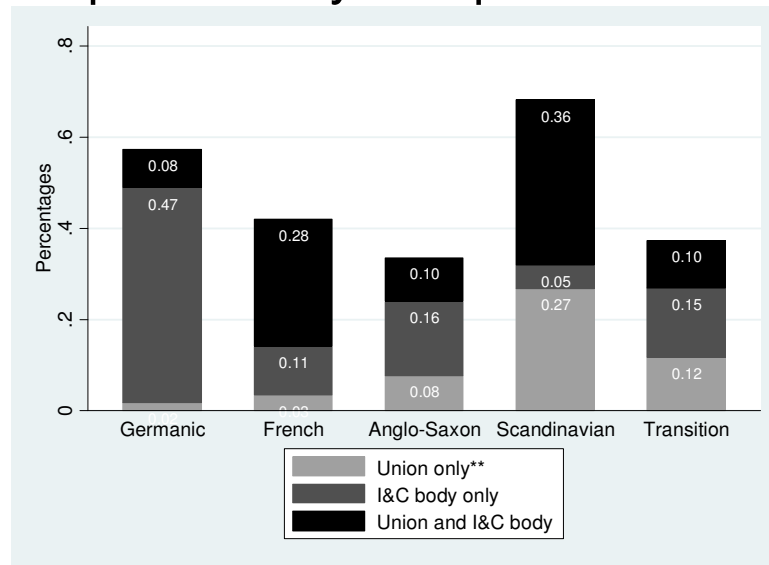
## I&C-body and union per country and per cluster

Country	Union		I&C body	
	N	Presence (in %)	N	Presence (in %)
Transition cluster	1310	37,10%	1310	45,27%
BG (Bulgaria)	46	36,96%	46	56,52%
CZ (Czech Republic)	189	7,41%	189	75,13%
EE (Estonia)	30	33,33%	30	33,33%
HU (Hungary)	140	53,57%	140	55,71%
LV (Latvia)	33	57,58%	33	48,48%
LT (Lithuania)	44	34,09%	44	31,82%
PL (Poland)	245	29,39%	245	46,94%
RO (Romania)	211	71,09%	211	17,54%
SK (Slovakia)	79	32,91%	79	56,96%
SI (Slovenia)	293	30,03%	293	37,54%

## Descriptive statistics

	Germanic	French	Anglo-Saxon	Scandinavian	Transition
	Mean	Mean	Mean	Mean	Mean
Economic situation	3.44	3.49	3.33	3.68	3.43
Very bad (1)	0.03	0.02	0.05	0.02	0.02
Quite bad (2)	0.11	0.09	0.14	0.10	0.10
Neither good nor bad (3)	0.35	0.36	0.33	0.27	0.40
Quite good (4)	0.40	0.44	0.39	0.42	0.42
Very good (5)	0.10	0.09	0.09	0.20	0.07

## I&C-body and union per country and per cluster



## Descriptive statistics

	Germanic	French	Anglo-Saxon	Scandinavian	Transition
	Mean	Mean	Mean	Mean	Mean
Representative					
I&C body	0.56	0.48	0.28	0.28	0.37
Positive attitude*	3.65	3.50	3.97	4.00	3.64
Strongly disagree (1)	0.04	0.05	0.01	0.01	0.02
Disagree (2)	0.12	0.15	0.04	0.06	0.10
Neither agree nor disagree (3)	0.18	0.18	0.10	0.10	0.20
Agree (4)	0.48	0.52	0.58	0.52	0.52
Strongly agree (5)	0.19	0.11	0.26	0.31	0.16
Total (N)	988	1.933	165	467	486
Trade union	0.02	0.24	0.27	0.70	0.45

## Descriptive statistics

	Germanic	French	Anglo-Saxon	Scandinavian	Transition
	Mean	Mean	Mean	Mean	Mean
<b>Workforce</b>					
High skilled (%)	13.50	21.61	24.81	15.78	16.62
Female (%)	29.93	33.10	32.99	31.49	36.41
<b>HRM</b>					
Incentive pay	0.74	0.68	0.62	0.88	0.83
0 types	0,44	0,49	0,53	0,37	0,37
1 type	0,40	0,37	0,34	0,41	0,44
2 types	0,15	0,11	0,11	0,19	0,16
3 types	0,01	0,03	0,02	0,03	0,02
<b>IR</b>					
Sector agreement	0.62	0.62	0.37	0.61	0.17

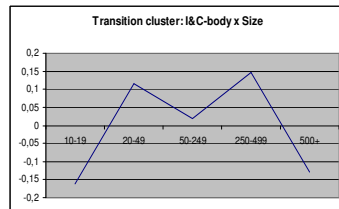
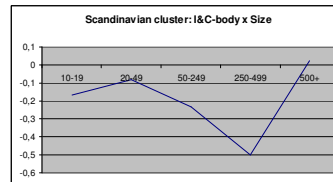
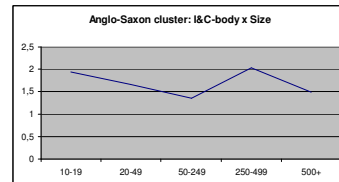
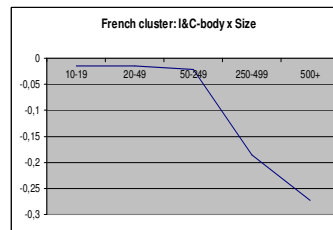
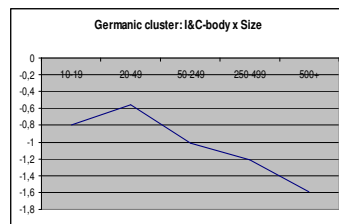
## Descriptive statistics

	Germanic	French	Anglo-Saxon	Scandinavian	Transition
	Mean	Mean	Mean	Mean	Mean
<b>Firm characteristics</b>					
<b>Number of employees</b>					
10-19	0.23	0.27	0.25	0.29	0.19
20-49	0.24	0.27	0.27	0.29	0.22
50-249	0.30	0.29	0.32	0.28	0.31
250-499	0.13	0.11	0.09	0.08	0.14
500+	0.10	0.06	0.07	0.06	0.14
Service sector	0.42	0.45	0.46	0.44	0.39
Productivity growth	2.66	2.54	2.47	2.80	2.73

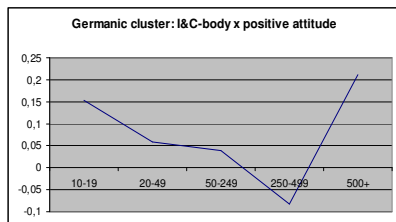
## Descriptive statistics

	Germanic	French	Anglo-Saxon	Scandinavian	Transition
	Mean	Mean	Mean	Mean	Mean
Firm characteristics					
Personnel related problems (%):					
Absenteeism	0.19	0.17	0.09	0.17	0.22
Difficulties in retaining staff	0.07	0.11	0.06	0.05	0.17
A need to reduce staff levels	0.25	0.31	0.44	0.37	0.33
Low motivated staff	0.10	0.21	0.14	0.12	0.22
Other personnel problems	0.14	0.09	0.09	0.11	0.13

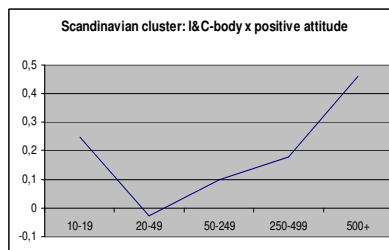
## Results interactions (dummy model)



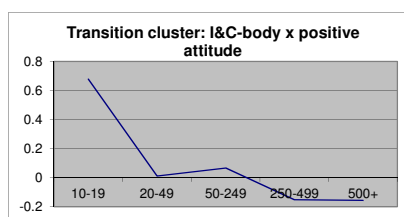
## Results interactions (attitude model)



French cluster: I&C-body x Size → n.s.



Anglo-Saxon cluster: I&C-body x Size → n.s.



## Results: Selection equations of dummy model (treatment effect)

	Presence I&C Body				
	Germanic	French	Anglo-Saxon	Scandinavian	Transition
size_2	Included***	Included***	Included	Included***	Included***
size_3	Included***	Included***	Included***	Included***	Included***
size_4	Included***	Included***	Included***	Included***	Included***
size_5	Included***	Included***	Included***	Included	Included***
<b>Domestic owner</b>	0.175***	0.082***	0.174***	0.107*	0.037
Country dummies	Included***	Included***	Included***	Included**	Included**
Observations	1786	4168	590	1711	1348