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# Workplace social dialogue in Europe: An analysis of the European Company Survey 2009

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**Research project:** Secondary analysis European Company Survey

## Contents

Executive summary	1
Introduction	3
1. Definition and forms of social dialogue	5
2. The origins and forms of social dialogue	9
3. Hypotheses to be tested with the European Company Survey	17
4. Analytical approach	25
5. The extent and nature of social dialogue	31
6. Behavioural outcomes associated with social dialogue	53
Summary and conclusions	57
References	61
Annexes	65

## Country codes

### EU27

<b>AT</b>	Austria	<b>LV</b>	Latvia
<b>BE</b>	Belgium	<b>LT</b>	Lithuania
<b>BG</b>	Bulgaria	<b>LU</b>	Luxembourg
<b>CY</b>	Cyprus	<b>MT</b>	Malta
<b>CZ</b>	Czech Republic	<b>NL</b>	Netherlands
<b>DK</b>	Denmark	<b>PL</b>	Poland
<b>EE</b>	Estonia	<b>PT</b>	Portugal
<b>FI</b>	Finland	<b>RO</b>	Romania
<b>FR</b>	France	<b>SK</b>	Slovakia
<b>DE</b>	Germany	<b>SI</b>	Slovenia
<b>EL</b>	Greece	<b>ES</b>	Spain
<b>HU</b>	Hungary	<b>SE</b>	Sweden
<b>IE</b>	Ireland	<b>UK</b>	United Kingdom
<b>IT</b>	Italy		

### Other countries

<b>HR</b>	Croatia	<b>MK</b>	former Yugoslav Republic of Macedonia
		<b>TR</b>	Turkey

# Executive Summary

## Introduction

The European social model is based upon concerns with both economic efficiency and the quality of work. The focus of this report is on social dialogue that takes place within the workplace. More specifically, it is concerned with forms of workplace employee representation, notably trade unions and works councils.

The report uses data from the 2009 European Company Survey (ECS 2009). This survey of workplaces with 10 or more employees was carried out across the 27 EU Member States and the candidate countries of Croatia, the former Yugoslav Republic of Macedonia and Turkey.

Social dialogue may emerge from a concern to extend democracy into the workplace or as a counterweight to a perceived power imbalance in the employment relationship. A decision to engage in social dialogue may also be the result of a cost-benefit calculation where any consequential costs are weighed against potential benefits such as increased labour productivity.

At the macro level, relevant factors include the extent of government intervention, the dominant level of collective bargaining and the extent of legal support for institutions of employee representation. At the meso level, relevant factors include the nature of the good or service being produced and the degree of product market competition. At the micro level, relevant factors include: firm size; firm age; firm ownership; the nature of production or service delivery; employer preferences; and the characteristics of the workforce.

## Key findings

The analysis uses data from both the management respondents and the employee representative respondents to ECS 2009. A range of external data items were matched with the ECS 2009 data in order to better understand differences in the extent and nature of workplace representation between countries and sectors. Multivariate regression methods were used to identify the independent association between a particular outcome and a specific characteristic.

ECS 2009 is a rich source of data on the workplace and social dialogue practices. However, it does not allow identification of all influences on the presence or nature of workplace social dialogue. As ECS 2009 data are cross-sectional in nature, regression results must be interpreted as conditional associations, rather than as causal effects.

Around one third (34%) of workplaces with 10 or more employees have a trade union or works council body in place. Considerable variation exists between countries: the rate is above 55% in Denmark, Sweden and Finland but below 20% in countries such as Turkey, Greece and Portugal. Substantial variations also exist depending on industry sector and workplace size. Many of these characteristics are related to the presence or absence of a trade union or works council.

Workplace representation is more prevalent in countries where national or sectoral bargaining dominates. It is also higher in countries with more extensive levels of legislative support for workplace representation. In respect of industry-level influences, trade union representation is more extensive in industries with higher levels of profitability. Employee representation is shown to be more likely in larger workplaces; those belonging to large organisations or the public sector; and those that have recently undergone organisational change.

The identified relationship between social dialogue practices and workplace size or sector of ownership was already suggested by the research literature. Other findings, such as the association with bargaining levels, have been less extensively demonstrated hitherto.

Some 80% of representatives agree that their employer provides them with sufficient paid time off work to carry out their duties. Representatives in countries with a legal entitlement to paid time off are, on average, 15% more likely to say that

their time off is sufficient. Representatives of larger workplaces are less likely to consider that they have sufficient leave, as are those of workplaces that have recently experienced changes in human resource practices.

Some 77% of representatives are provided with information, at least once a year, regarding both the company's economic and employment situation. Information provision is more common in countries with less extensive statutory support to activate works council representation. It could be that rights to information are more rigorously pursued or enforced in such countries.

Information provision is more likely in single independent establishments than in multi-site organisations. This suggests that the ease of access to information and the extent of managerial control may be important factors shaping employers' behaviour. Provision is also more likely in workplaces with a high share of skilled workers.

Overall, around one third (34%) of representatives work in establishments where: (a) they consider that managers and representatives make sincere efforts to resolve common problems; and (b) the manager does not state a preference for consulting directly with employees. The score is higher, on average, in countries where there is more extensive legislative support for employee representatives, although the association is only apparent for works council representatives.

Works council representatives are generally more likely to have a constructive relationship with managers than trade union representatives. This association may reflect unions' greater likelihood of involvement in wage bargaining, restrictions in some countries on works councils' ability to initiate industrial action and/or managerial preferences for particular types of representation.

In accordance with the theoretical framework, the provision of paid time off for representatives, the provision of information and the character of the management-representative relationship are each found to be supportive of greater levels of influence on the part of representatives. The analysis identifies some components which appear to contribute to meaningful social dialogue, in terms of the extent to which employee representatives have a substantive role in workplace decision making. The analysis thus contributes to a better understanding of the prevalence and nature of workplace social dialogue in Europe.

Evidence suggests that by providing a voice for workers, forms of employee representation can reduce the 'quits rate' (the rate at which people are leaving their job). The evidence is somewhat tentative. Moreover, the direction of causality cannot be proven with the available data. Nonetheless, our findings are broadly in line with the limited existing evidence from single-country studies.

### Policy pointers

This study reaches two central conclusions. The first is that policy levers, such as legislative support for workplace employee representation, can be influential in guiding practice. A number of instances can be found in which the institutional environment or the legislative framework itself are associated with the extent and nature of workplace social dialogue.

At the same time, however, one must recognise that policy makers have a limited capacity to prescribe on this issue. This is because the extent and nature of workplace social dialogue is clearly related to a wide range of workplace and workforce characteristics. The costs and benefits of social dialogue may be viewed differently by various parties. It is difficult to determine in advance what is socially optimal. This implies that any new interventions should be minimalist. Their impact should be evaluated and subsequently reappraised.

# Introduction

Well-functioning workplace social dialogue is considered to be an important part of the European social model. The European Union has stated its aim in Europe 2020, its growth strategy for the coming decade, as being, ‘to become a smart, sustainable and inclusive economy’ providing ‘more and better jobs’ alongside high levels of productivity and social cohesion (European Commission, 2010). This aim combines concerns for economic efficiency and the quality of work. In the varied economies within Europe, enterprises have to adjust to changing economic pressures and other developments in order to remain competitive in the long term. At the same time, they are encouraged to make efforts to enhance the experience of employment for their workers. Within the European model, a strong dialogue between the social partners at all levels is seen as a vital complement to a coherent legislative framework in addressing this challenge. It is therefore important to understand the prevalence, determinants and effects of well-functioning social dialogue, particularly at workplace level, where the employment relationship is worked out on a day-to-day basis.

The 2009 European Company Survey (ECS 2009) provides an unparalleled set of data with which to investigate the issue of workplace social dialogue across the European Union and its candidate countries. Some analyses of the data have already been conducted; these have been presented in the ECS 2009 overview report (Riedmann et al, 2010) and in a recent report by Aumayr et al (2011a). However, these existing analyses are largely descriptive and provide only a broad overview of the workplace dimension of social dialogue. The purpose of this report is to provide a theoretically-based conceptualisation of workplace social dialogue. It then uses this conceptualisation to guide an empirical investigation of the determinants, nature and outcomes of workplace social dialogue using ECS 2009.

The analysis takes place within a context where, inter alia, there are:

- questions about the potential complementarity between trade unions and other forms of representation – in countries such as the UK (Hall et al, 2009) and Germany (Addison et al, 2010);
- changes in legislative support for different types of workplace institution – in countries such as France (Tissandier, 2010);
- noticeable trends towards the decentralisation of collective bargaining – in countries such as Finland, Germany, Italy and Sweden (Carley et al, 2010);
- uncertainties about the implications of enlargement (see Woolfson et al, 2008); and
- emerging debates about the coherence of national models (see Marsden, 2010).

The aim of this report is to contribute to debates on these various issues by providing a theoretically grounded and empirically robust analysis of workplace social dialogue in Europe.

## The structure of the report

The first chapter of this report provides a definition of social dialogue. It also identifies the forms it takes and the actors involved in workplace social dialogue. The following chapter presents a discussion of the theories governing the origins of social dialogue and its rationale. It examines what might constitute ‘meaningful’ social dialogue from a variety of theoretical perspectives. This includes economics, sociology, industrial relations, psychology, philosophy and politics, all of which offer valuable insights. The report then goes on to explore factors that can relate to the presence and characteristics of social dialogue in individual workplaces. This discussion generates hypotheses for testing through analysis of ECS 2009. Following this, the analytical approach is presented, followed by the results of that analysis.





# Definition and forms of social dialogue 1

## Definition

Social dialogue is defined here as discussions, consultations, negotiations and joint actions involving organisations representing the two sides of industry (employers and workers). The term dialogue necessarily entails communication but it can also entail consultation and negotiation. In industrial relations and economics this is often termed ‘voice’ because it provides the relevant parties with opportunities to voice opinions and concerns about their relationship. It contrasts with one-way ‘downward’ communication, which entails the provision of information and instructions by management to employees with no opportunity for employees to share their opinions or ideas. It also contrasts with communication between workers in a situation of full employee ownership and control (see Figure 1).

Figure 1: *Definition of social dialogue*



Social dialogue may therefore take different forms. For this and other reasons, social dialogue processes may also vary in terms of their effectiveness. This report is particularly concerned with the degree to which social dialogue provides opportunities for meaningful engagement between involved parties regarding the employment relationship. This is not to prescribe particular outcomes. As discussed, a number of actors are engaged in social dialogue at workplace level and each has its own distinctive set of principles, values and objectives. That which constitutes effective social dialogue for one actor may be considered by another as inadequate or problematic. We return to this important issue below.

## Form of workplace social dialogue

The term ‘workplace social dialogue’ is typically reserved for discussions between employers and employee representatives within individual establishments or work sites. These employee representatives may be elected by employees, selected by management or invited in some other fashion. Forums in which social dialogue may occur include works councils, joint consultative committees, and employer-union negotiation committees.

Grouping all these forms under the label of social dialogue implies some sort of equivalence between them. This is reasonable if we start from the premise that social dialogue is a process by which relevant parties seek to resolve employment-related differences via an information exchange. In practice, however, different forms of social dialogue can perform different functions. Perhaps the key distinction lies between those that engage in negotiation and those that are largely mechanisms for consultation or information exchange. In most countries, wage negotiations are the preserve of trade unions.

At workplace level, direct two-way communication may also take place between employees and management. Such communication may take place in meetings involving all or most of employees at the workplace, or smaller groups such as team briefings, problem-solving groups and one-to-one meetings between a manager and an employee. Indeed, it is

common for workplaces to contain a mix of structures that allow both for social dialogue and direct communication. This model leads to a four-way classification: direct and representative voice; direct voice only; representative voice only; and no voice (see Table 1). It is not possible to accommodate such a broad, encompassing view within an analysis of ECS 2009 because the survey did not contain questions about direct forms of employee voice. Any possible complementarity (or conflict) between social dialogue (representative voice) and direct communication is therefore not a major feature of this analysis.

Table 1: *Combinations of direct and representative voice*

Any direct voice?	Any representative voice?	
	Yes	No
	No	Yes
Yes	Direct and representative voice	Direct voice only
No	Representative voice only	No voice

## Levels

Social dialogue may occur outside the workplace. For instance, in organisations with multiple workplaces, social dialogue may occur at a level above that of individual workplaces, as in the case of organisation-level bargaining units or European works councils. It may also occur at sectoral/industry level, at local or regional level, or at national level, covering workplaces from more than one organisation. In many European countries, such as Belgium and France, social dialogue typically includes collective bargaining agreements reached at a level above the workplace, which are binding at workplace level.

The nature and form of social dialogue that can and does occur at workplace level depends, in part, on the social dialogue that occurs at other levels. The relative importance of the different levels may be determined by legal constraints, by the capacities and degree of co-ordination of the various possible actors or simply by convention. In Germany, for instance, collective bargaining may occur at firm or industry level, but an employer cannot combine the two. In practice, most (though not all) collective bargaining over wages occurs at sectoral level while other matters of concern to management and employees tend to be discussed at works councils that operate at workplace level (Addison, 2009). Elsewhere, as in the UK and Spain, for instance, there are no impediments to combining these levels of social dialogue.

This background is important when inspecting the incidence, nature and effects of workplace-level social dialogue across European countries. This is because the presence or otherwise of social dialogue at higher levels may be a key factor in determining what is observed at workplace-level.

## Actors

There are five actors that initiate social dialogue at workplace (and other) levels: employees; employee representatives; employers; employers' associations; and government.

*Employees:* Social dialogue may originate in employees' desire for workplace dialogue with the employer. This desire may be triggered by particular events or episodes such as redundancies. They can also be seen as part of a more fundamental set of employee needs, namely, to express themselves and exert a degree of control over important aspects of their lives. In some cases, these needs may be met by direct communication. In other cases, they may be met by social dialogue (i.e. through representatives). These representatives may operate under the aegis of a trade union, or they may

operate independently of any union; the latter is referred to as ‘non-union representation’. Nevertheless, the mobilising potential of most trade unions typically gives union representation a different character to non-union representation.

*Employee representatives:* Employee representatives (whether union or non-union) provide vital resources to facilitate social dialogue, for example by offering one or more individuals to act as representatives on behalf of a larger number of employees (trade union members in the case of trade union representatives). This is often an unpaid role, carried out by a member of the organisation’s workforce. However, these individuals may be given some time off from their job by their employer to carry out their representative duties, so that the employer effectively subsidises their representative activities to some extent. In the case of union representation, however, the representative function may be carried out by a paid official of the trade union who is responsible for one or more workplaces on behalf of their union.

Although trade unions are ultimately membership organisations rooted in the workforce, they are also their own distinct organisational entities. European trade unions are heterogeneous in ways that can strongly influence their taste for social dialogue and their capacity to deliver it (see Fulton, 2010). Their capacity and willingness to do so will depend on factors such as their financial resources, member preferences and the degree of cross-union cooperation.

*Employers:* Employers’ desire for social dialogue may be triggered by a specific event, such as the overhaul of working practices. It could also reflect an underlying belief that the costs of engaging employees in the process of decision-making can be outweighed by benefits, such as increased productivity. The employer may choose to engage with union-based social dialogue, often taking an active part in courting or supporting one or more trade unions. Alternatively, the employer may help produce social dialogue with firm-specific investments in representative forms of social dialogue such as joint consultative committees or worker directors. The employer may also make firm-specific investments in structures for two-way direct communication with employees. In some cases, these may act as substitutes for social dialogue through employee representatives.

*Employers’ associations:* Just as workers may join trade unions to engage in social dialogue, employers may form employer associations. Their roles vary across country and industry but they often represent employers in sectoral bargaining. They play a particularly prominent role in collective bargaining in countries such as Austria, where membership is compulsory, and Slovenia, where it has only recently ceased to be so. They play a much more negligible role in countries where single-employer bargaining dominates, such as the UK and certain countries in central and eastern Europe.

*Governments:* A national or regional government may intervene in the contractual relationship between employer and employees either to facilitate or to mandate social dialogue. In France, for example, a union with the support of at least 10% of the workforce may appoint a union delegate. This delegate then has the right to bargain with the employer over a wide range of issues. Government action may also come at supra-national level, for example in the form of a directive or recommendation from the European Union. Governments tend to act when other actors appear incapable or unwilling to engage in social dialogue. Such action may have political or ideological origins, or may be prompted by a perceived market failure in the provision of social dialogue, for instance where the social partners are weak actors. Whatever the specific rationale for government action, it usually stems from the perception that either the quality or the extent of social dialogue is not operating at an optimal level.

Government may also engage directly in social dialogue, either as an employer of public sector workers, or as a third party alongside workers and employers. This third party role may take the form of an ad hoc arrangement, such as a social pact, or on-going tripartite arrangements for good workplace governance; the latter relate to matters such as worker health and safety.



# The origins and forms of social dialogue 2

This chapter considers the origins and forms of social dialogue. In doing so, it shows that relevant actors can hold differing perceptions of what constitutes meaningful social dialogue. Relevant concepts are presented, drawn from a variety of academic disciplines including sociology, industrial relations, economics, psychology, politics and philosophy.

At the outset it is worth considering why social dialogue occurs in the first place. One approach is to conceive of discussions between employers and employees as a means by which societies can establish a pattern of property and other rights that are economically efficient (Coase, 1960; Freeman, 2006). For example, where imperfect information allows parties to behave opportunistically, joint discussions can address those information deficits. In this way, they ensure that involved parties can make better informed decisions. For example, it can aid in deciding whether or not to accept an employment contract and, having done so, how to undertake the prescribed tasks. Hence, social dialogue could potentially improve social welfare through communication and negotiation.

If private interests are sufficient to set up discussions between employers and employees, one may observe these in the form of a direct employee-employer relationship with no mediation by a third party. Alternatively, if the costs of setting up such arrangements are too large, it may be appropriate to socialise the costs and benefits of social dialogue via unions, works councils, sectoral agreements or government intervention. Equally, mandated social dialogue may be inefficient if it crowds out incentives to make private arrangements for dialogue. Which institutional forms develop to deliver dialogue between employers and employees will depend, in part, on other institutional features of a country such as the structure of property rights.

A second approach is to conceive of firms as authority structures that are operating on the basis of incomplete contracts which clearly specify the wage but are incapable of completely specifying the tasks to be performed (Simon, 1951). When employees are given greater assurances about their unspecified rights and expectations, they are likely to accept more direction on their work. Social dialogue is one means of providing those assurances. Where social dialogue is valued by workers they may even accept a lower wage in return. Alternatively, the economic benefits of social dialogue, discussed below, may create a surplus that might not otherwise have existed, which helps cover the associated costs.

## Social dialogue as democracy

It may be argued that social dialogue is one means of extending democracy into the workplace. Employees become citizens of the firm with rights as well as responsibilities under the employment contract. Irrespective of their status as employees, workers are human beings with inalienable rights, including those of voicing their opinions in the workplace and of free association, such as the right to join a trade union (Budd, 2004). This is how organisations such as the International Labour Organization conceive of social dialogue.

This leads on to the question of how extensive employee participation should be. Maslow (1954) argued that human beings are motivated to act to meet unsatisfied needs. He also maintained that a hierarchy of needs exists, and that lower needs must be satisfied before higher ones can be addressed. It is arguable that the substantive focus of social dialogue often tries to meet 'lower needs' such as physical health, well-being and safety whereas actually engaging in social dialogue helps meet those higher needs such as self-actualisation.<sup>1</sup>

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<sup>1</sup> More recently, psychologists have identified the role social dialogue can play as a social support for employees, improving their wellbeing by helping them to retain some control over workplace innovations which might otherwise generate stress and anxiety (Wood, 2008).

Lower level needs in the workplace may be tackled via social dialogue at levels above that environment; for example, many EU countries have tripartite agreements on health and safety. However, work (re)organisation and the implementation of rules and procedures agreed at higher levels are often best achieved via social dialogue at workplace level. Arguably, achieving higher level needs such as self-actualisation through problem-solving could only be achieved where employees are directly involved in the process of social dialogue. This suggests that social dialogue is only meaningful then if it entails a high degree of employee participation.

Seen from this perspective, actions to facilitate or mandate social dialogue – such as legislative intervention by the state – may be justified to achieve two objectives. Firstly, they may be used to ensure that social dialogue is present. It is indispensable for democracy in the workplace. Secondly, they may be used to ensure that any social dialogue is meaningful in the sense that it gives real opportunities for social partners to engage in dialogue. The presence of structures to facilitate social dialogue may be a necessary condition for enabling meaningful dialogue, but it is not a sufficient one. Social dialogue may be ineffectual unless it offers reasonable opportunities for all parties to be heard. This may mean that the state intervenes to ensure that workplace social dialogue is adequately resourced, for instance, and that the social partners are protected from reprisals if they engage in social dialogue. This is the rationale for the statutory protection of worker representatives from unfair dismissal.

Of course it may not be necessary for the state to intervene, as employers may themselves value democracy and employee participation and thus accept it (or even promote it) as a necessary element of workplace organisation.

### Social dialogue as a counterweight to power imbalance

A standard assumption in much of social and industrial relations theory is that the parties to the employment relationship do not come together as equal partners. Rather, employment relations are underpinned by power relations. Weberians maintain that the employer has decision-making powers which stem from their authority within the organisational hierarchy. For Marxists, that power derives from the relations of production: in a capitalist system power resides with those who own capital, while labour is dependent upon capital for gainful employment.

There is a strong normative element to this sociological discourse. It maintains that it is not reasonable for capitalists to appropriate all or the bulk of the returns from production since that value is generated with labour power. A second related idea is that, as human beings, employees should not be treated as just another factor of production to be bought and sold in market exchange (ILO, 1944; Kaufman, 2010). This principle is an important motivator for most trade unions. It also lies behind statutory individual and collective employment rights, such as unfair dismissal legislation, as well as statutory support for social dialogue.

What does meaningful workplace social dialogue mean in this context? First, it suggests that any social dialogue should offer the opportunity to at least broach some issues arising from discrepancies in power and the distribution of rewards. Second, if one accepts the normative arguments, then social dialogue should also be capable of shaping outcomes. It might only be judged as meaningful in the following cases: if it can rebalance power relations at the workplace by offering workers greater authority and input in employment relations; if it alters the distribution of rewards in favour of those with less power; and if it is able to guarantee that workers are treated with respect and dignity by employers.<sup>2</sup>

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<sup>2</sup> Some radical sociologists would go further and maintain that social dialogue will always be inadequate in tackling the fundamental inequalities in power and wealth inherent in the capitalist mode of production (Burawoy, 1979). As such, social dialogue might be considered little more than a distraction from challenging the underlying power imbalances.

Industrial relations theorists often begin from a pluralist perspective. Here, they conceive of workers and employers as having separate – yet sometimes overlapping – interests. These interests can be addressed in somewhat different ways, depending on the form of social dialogue being used. Walton and McKersie (1965) make the distinction between distributive bargaining, on the one hand, and integrative bargaining on the other. The former entails a fixed-sum game in which one party's gain comprise the other party's loss. In contrast, the latter 'functions to find common or complementary interests and solve problems confronting both parties' (1965, p.4). In principle, while both forms of social dialogue may prove meaningful according to the criteria noted below, they may nevertheless require different skill sets and resources to make them effective. In extreme cases, the processes of distributive and integrative bargaining are conducted in different institutional forms at different levels. This is at least notionally the case in Germany where the process of pay bargaining (distributive bargaining) is largely conducted at sectoral level by employers and unions, while integrative bargaining over other matters is conducted in a works council setting at workplace level.

### **Social dialogue as an economic decision: the firm's perspective**

The usual presumption among economists is that social partners enter employment contracts voluntarily as equal partners, based upon their own assessments of the costs and benefits of engaging in the contract. The decision to engage in social dialogue can also be treated in a similar fashion, that is, as a choice that is made following the appraisal of associated costs and benefits.

In assessing the net benefits of social dialogue, profit maximising firms will weigh the costs of engaging in dialogue with employee representatives against the potential benefits. Those benefits may take the form of increased labour productivity, which can arise from social dialogue for a number of reasons. First, social dialogue can encourage employees to aggregate and communicate their tacit knowledge about production processes to employers, in order to assist with issues such as work organisation or cost cutting. Second, employee quit rates may fall where social dialogue gives effective voice to employees' concerns (see Freeman and Medoff, 1984). Employers thus reduce the costs they face when employees quit and need to be replaced. Moreover, lengthier contracts with employees mean they are able to recoup the costs associated with long-term investments in their human capital, such as training. Other benefits of social dialogue may also exist, such as reputational benefits for those who can demonstrate that they deal fairly and reasonably with their employees through social dialogue. This is similar to the way employers might expect reputational benefits associated with other aspects of corporate social responsibility (CSR). Perhaps chief among the costs of social dialogue are the transaction costs associated with the time and effort employers must put into dialogue with employee representatives. However, one would typically expect these to be lower than the costs incurred through attempts to discuss matters with each employee on an individual basis.<sup>3</sup>

Whether social dialogue is optimal for a given firm depends on the firm's particular circumstances and the basis on which they compete. Engaging in social dialogue will typically reduce more transaction costs for a large firm than for a small one. The benefits of any decrease in employee quits will similarly be of greater benefit to firms that are heavily reliant on scarce types of labour than to firms for whom replacement labour is plentiful.

One difficulty faced by employers is the fact that the net benefits of social dialogue are not clear in each individual case. If a firm decides that social dialogue is in its economic interests, it still must choose which type of social dialogue to adopt. That choice can be characterised in terms of a 'make or buy' decision (Willman et al, 2007). Firms may choose to invest in, or make, their own mechanisms for enabling social dialogue by implementing a structure of its own design,

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<sup>3</sup> In the case of union representation, employers may also need to factor in the potential costs of rent-sharing.



such as an employer-initiated consultation committee.<sup>4</sup> Alternatively, the employer may choose to buy in a mechanism for the conduct of social dialogue, such as a trade union, which acts as an agent for the employer. These are not mutually exclusive choices since employers may seek to combine different channels of social dialogue. Different forms come with different costs and benefits. The ‘make’ decision comes with up-front costs since the onus is on the employer to put mechanisms in place which can help deliver social dialogue. The ‘buy’ decision entails costs of a different kind, including the transaction costs of dealing with an independent third party, and the potential for counter-party risk. The latter arises from the fact that the union is operating not simply as an agent for the employer, but also as a voluntary membership organisation committed to delivering benefits for its members. If the latter takes precedence, and there is a conflict between the interests of the employer and employees, the union may choose to prioritise the latter at the expense of the former.

Governments can alter the cost/benefit calculation firms make when deciding whether or not to engage in social dialogue and how best to do so. They may do this directly, for example by requiring firms to engage in social dialogue if they are of a certain size or if they are considering redundancies. They may also do so indirectly, for example by reserving preferential contractor status for those firms meeting certain criteria regarding social dialogue.

Employees can also alter the cost/benefit calculation made by firms when deciding to engage in social dialogue. The most obvious example might be employee collective action to cut off the supply of labour to the employer – what Freeman and Medoff (1984) termed the ‘monopoly face’ of trade unionism. By coming together collectively, employees are able to leverage their labour power in a way that is less effective when they act in isolation: it is relatively easy for an employer to ignore a single complainant unless that individual has considerable bargaining power.

In a standard economic framework, if one takes the firm’s perspective, meaningful social dialogue is that which is economically beneficial to the firm. If it does not improve profitability then it is not privately optimal and the firm will try to avoid it.

### **Social dialogue as an economic decision: the employee’s perspective**

The economic cost/benefit framework can also be applied to the choices employees make in deciding whether or not to invest in social dialogue and which form of it to adopt. In a workplace setting, employees may benefit from social dialogue if it offers opportunities to negotiate with the employer over terms and conditions of employment. The best example might be collective bargaining for higher wages. Other possible benefits include better safety, due process procedures or shorter hours.

The costs for employees might include the disapproval of an employer intent on avoiding social dialogue – particularly if it entails engaging with a third party such as a trades union. Other issues might include the time and effort employees have to devote to the process of communication with the employer through representatives. The incentives to engage in social dialogue will be higher where there are clear private returns to employees. However, a problem may arise regarding the public benefits of social dialogue, that is to say, benefits that accrue to all workers, irrespective of their personal investments in social dialogue. This creates a problem of collective action whereby it may be rational for employees to benefit from the efforts of others. If all employees make this decision, social dialogue may not emerge because for each individual the costs of pursuing social dialogue outweigh the costs. This incentive problem can provide

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<sup>4</sup> The employee representatives may also sometimes be of their own choosing.

the rationale for state intervention. Another solution is the closed shop, wherein employees in a unionised environment must either join the union or pay an agency fee to the union in recognition of the fact that collectively agreed terms and conditions apply to all at the workplace.

Both economists and sociologists (Freeman and Rogers, 1999) and industrial relations theorists (Towers, 1997) have argued that employees in Anglo-American settings face a ‘representation gap’ which arises specifically from the high ratio of costs to benefits in developing social dialogue at workplace level. In these settings, legislative support for union-based social dialogue is minimal – some of it is ineffectual. Because of this, employees face substantial start-up costs in organising a sufficient proportion of all workers to achieve union recognition. This situation contrasts markedly with countries such as France, where legislation ensures that employees have relatively costless access to workplace-level social dialogue via a union representative. It also differs from the situation in countries such as Austria and Germany where the employee threshold of support required to trigger the setup of a works council is low.

Employee access to union forms of social dialogue can also be restricted by the financial constraints trades unions face in organising workers at workplace-level. When considering where to deploy their scant resources, unions will consider the opportunity costs of supporting one campaign relative to another, as well as the marginal costs of servicing union members. Such costs are liable to be greatest in smaller workplaces and among more marginal groups within the labour force, such as those on atypical contracts (Gumbrell-McCormick, 2011).

The workplace ‘representation gap’ can be overcome to some degree when forms of representation are well-established above workplace-level. This is the case in countries where sectoral and national pay bargaining are commonly employed. However, in other areas, such as assistance with individual grievances, representation at levels above the workplace is unlikely to be an adequate substitute.

## **Social dialogue as an institution**

Social dialogue is often treated as part of a well-functioning welfare state concerned with the social welfare of its citizens. For instance, it is central to European Union policy discourse around the promotion of a European, competitive free market allied to social structures that support active citizenship, participation in all aspects of society, the protection of basic human rights and liberties, and distributive justice. Viewed from this perspective, social dialogue is one of the checks and balances in the fabric of a well-functioning political economy.

Institutional social theorists (Frege and Kelly, 2004; Hall and Soskice, 2001) recognise that there are ‘varieties of capitalism’, even within the European social model. Although social dialogue is regarded as an indispensable feature of the ideal-type society, social dialogue can take multiple forms. In more centralised market economies, much of that social dialogue will be coordinated at a national or sectoral level and may or may not leave much space for social dialogue at workplace level. If there is space for workplace level social dialogue, it often works in concert with social dialogue at higher levels. In this case, it may deal with only a subset of the substantive issues dealt with by workplace social dialogue in regimes with weaker institutional structures above the firm.

The various forms of social dialogue that exist across countries are often treated as ‘path-dependent’, with their roots deeply embedded in each country’s political, economic and social histories. However, recent changes in the structures underpinning social dialogue have raised issues as to whether national institutions required for social dialogue are converging or diverging; relevant changes here most notably include declining collective bargaining coverage and union density, and they characterise the majority of EU Member States. Much of this debate has focused on the distinctiveness of the German system and whether recent moves away from national and sectoral-level arrangements towards a more decentralised system signals the demise of the system or simply an organised realignment of the current system (Hassel,

1999; Traxler et al, 2001). Either way, there appears to be an expanding role for workplace-level forms of representation in the German case.

From a macro perspective, one might argue that the central issue is whether or not a state benefits from meaningful social dialogue per se, rather than whether or not meaningful workplace-level social dialogue occurs. The counter-argument is that social dialogue is necessary at workplace level to guarantee that agreements reached by social partners at higher levels are adhered to on the ground, and that certain matters, which can only be tackled effectively at workplace level, such as individual grievances, are properly addressed.

### Meaningful social dialogue

This section presents a theoretically-grounded approach to social dialogue. One proposed structure for enabling employee voice has a number of essential characteristics. Firstly, it should provide opportunities for joint discussion of the terms of engagement within the employment relationship. Here, terms of engagement are broadly defined to mean not only the ratio of effort to financial reward but also relate to the conditions of work and the tasks involved. This addresses the notion of social dialogue as the extension of democracy into the workplace, and helps workers meet psychological needs by involving them in the regulation of their work. Secondly, it should take place in an environment in which each party can be an effective partner in those discussions. This addresses the notion of social dialogue as a counterweight to the power imbalance that is commonly considered to exist within the employment relationship. In order to be effective, each party should have opportunities to participate and the information and expertise needed to make informed decisions. It is typically taken for granted that the employer satisfies these criteria. However, in order for employees or their representatives to participate effectively, it is necessary to overcome certain inequities. These include managers' access to information about the enterprise; their skill in being able to interpret and weigh this information; and the availability of time and facilities with which to consult their constituents and marshal their arguments (Terry, 1999). In many countries, legislation supports the provision of dedicated leave and training for employee representatives for this purpose. However, the quality of social dialogue may still be determined in large part by managers' attitudes and their consequent level of support for the process. A high level of trust between the parties is also considered important in providing the basis for a cooperative relationship. In such a relationship, managers can assume that employees will contribute to decisions that benefit the workplace, and employees can assume that managers will share the rewards from those decisions (Walton and McKersie, 1965; Fox, 1974).

This proposed approach does not place restrictions on the form that any social dialogue structure might take. It should be possible a priori for each of these conditions to be met by direct or representative forms of voice and by union-based or non-union forms of representation. However, the supports for, and constraints on, different forms of social dialogue are often different. As noted earlier, specific forms of social dialogue being used depend on a range of factors, including the relative costs and benefits of different forms to either party.

One might argue that meaningful social dialogue should yield benefits to both parties, and should not impose disproportionate costs on either party. In practice, however, it is difficult to determine what might be socially optimal; it is also difficult to determine causation. In developing a concept of 'meaningful social dialogue', it is therefore preferable to focus on issues of form and character.

It is nevertheless important to examine associations between social dialogue and the quality of the employment relationship. Meaningful social dialogue may mean that disharmony becomes more apparent at the workplace as issues are communicated and discussed openly between parties with a view to reaching mutually acceptable compromises (see Freeman and Medoff, 1984). Specifically, the process of social dialogue is likely to bring issues to the surface which may otherwise remain hidden. This may heighten either party's awareness of the other's shortcomings, and may

politicise employees so that they become more critical of employment relations than they might otherwise have been. The overall climate of employment relations may thus suffer in the presence of effective social dialogue.

Nevertheless, theory also predicts a negative relationship between voice and exit (Hirschman, 1970). Specifically, by providing voice for workers, structures of social dialogue encourage employees to tackle the problems they face at work, rather than quitting in the face of dissatisfaction. This provides the employee with opportunities for more stable employment. It is also beneficial for the employer for three reasons. First, a reduction in quits generates savings on recruitment and training costs; second, it reduces disruption in work teams; and third, it increases the likelihood that an employer will reap the return from efforts to up-skill the workforce (see Becker, 1964, pp.48-49; Booth and Zoega, 1999, pp.374-5; Chillemi and Gui, 1997). Moreover, by providing employees with an effective voice, structures for social dialogue enable the employer to learn more about the operation of the workplace, thereby facilitating improvements to the production process. Such improvements may otherwise have been invisible to the employer had employees' knowledge remained private (Freeman and Medoff, 1984).

Meaningful social dialogue thus has the potential to offer the prospect of gains to both parties, as long as such gains are not outweighed by any accompanying costs. However, as noted earlier, this is not a foregone conclusion.



# Hypotheses to be tested with the 3 European Company Survey

This section outlines the implications of theory regarding the nature of meaningful workplace social dialogue for this analysis of the European Company Survey 2009 (ECS 2009). The analysis focuses on social dialogue that takes place within the workplace and, more specifically, on forms of workplace-level employee representation, notably trade unions and works councils. The analysis will investigate the incidence of such workplace structures across Europe and will seek to identify factors that are associated with the presence of meaningful social dialogue. This section also outlines the hypotheses that will be tested in the empirical analysis.

Five central issues are discussed, as outlined below.

*Presence vs. absence:*

- Which factors determine whether or not a workplace has recognised structures of employee representation?

*Characteristics:*

- Which factors determine the degree of employer resourcing of any structures of employee representation?
- Which factors determine the degree of trust or engagement in the relationship between management and employee representatives?
- Which factors determine the breadth and depth of social dialogue, where structures of employee representation are present?

*Outcomes:*

- Which behavioural outcomes can be expected to be associated with the presence of social dialogue (and with different forms of social dialogue)?

In this analysis, influences at various levels are considered:

*Macro level:* Relevant factors include the nature of the industrial relations regime, comprising the extent of government intervention, the dominant level of collective bargaining and the extent of legal support for institutions of employee representation.

*Intermediate level:* Relevant factors include the nature of the good or service being produced and the degree of product market competition.

*Micro level:* Relevant factors include: firm size; firm age; firm ownership and structure (including takeover or merger); the nature of production or service delivery; the nature of the work environment; employer preferences; the nature of other HR (human resources) practices in use; and the characteristics of the workforce.

It should be noted at the outset that a complete set of measures is not available in every case. ECS 2009 provides indicators of a number of features of social dialogue where it is present, but some details are missing.<sup>5</sup> The survey also provides a wide range of indicators regarding characteristics of sampled workplaces. Other characteristics of countries

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<sup>5</sup> In some countries the survey does not ask about the affiliations of works council representatives, despite unions playing a role in proposing candidates in countries such as Belgium and Denmark.

and industry sectors can be matched from external sources. However, some likely determinants remain unobserved. One is the presence in (or absence from) the workplace of structures to encourage direct two-way communication between managers and employees. The following discussion focuses primarily on those features and determinants of social dialogue that are expected to be available to the empirical analysis; notable omissions are highlighted where relevant.

## Recognised structures of employee representation

In considering whether a workplace has recognised structures of employee representation, the primary concern is with the simple presence or absence of such structures. Their precise form (whether a trade union or a works council) is an important, but secondary concern.

This section lists factors that are expected to influence whether or not a workplace has recognised structures of employee representation.

### Country effects

Different regions of the EU have different orientations to social dialogue. It is well entrenched in Nordic countries with a social-democratic tradition, and less so in more liberal market economies. Visser (2009a) identified five different industrial relations regimes within the EU.<sup>6</sup> The northern regime is characterised by organised corporatism; Denmark and Sweden are examples.

Central-western Europe is characterised by social partnership, for example in Belgium and Germany. Southern Europe is characterised by polarised or state-centred systems. Examples include Italy and Spain. The western region is characterised by liberal pluralism; examples here include the UK and Ireland. Finally, central-eastern Europe is characterised by fragmented or state-centred systems. Examples include Bulgaria and the Czech Republic.

Such variation arises because of historical and cultural factors. It is also due to the institutions of workplace social dialogue being complementary to other elements of the national model, such as the political system and the legal framework. It is possible that variance in workplace employee representation may be similarly configured, though this does not necessarily follow; some countries with a strong tradition of social dialogue may nevertheless rely on institutions above workplace level. The degree to which industrial relations are centralised is therefore likely to be important in determining the propensity for institutions to be in place at workplace level.

Clear predictions about the likelihood of workplace employee representation also stem from the legislative provisions in various countries. In France, up until recently, legislation allowed any of the five main union confederations to acquire collective bargaining rights in medium-sized and large firms even if membership density was very low. In the UK, in contrast, legislation in support of union recognition is a recent innovation and is only triggered if the union can demonstrate majority membership or support within the workforce. In respect of works councils, many countries in Europe have legislation to support the establishment of such bodies as a result of the 2002 EU Directive on the Information and Consultation of Employees. However, countries differ in terms of the share of businesses to which the regulations are applied. In Austria and Germany, businesses with as few as five employees are covered; in Poland and

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<sup>6</sup> Visser's regimes were configured by reference to a variety of factors (not simply patterns of employee representation) including: the principal level of bargaining, the role of the social partners in public policy and the role of the state in industrial relations.



the UK the regulations only apply to businesses with 50 or more employees. Countries also differ in the extent to which they have sought to prescribe the tasks of different representative structures and, in particular, the extent to which the information and consultation regulations reinforced existing representative arrangements or sought to establish new alternatives. Van Gyes (2006), Aumayr et al (2011a) and Fulton (2010) provide synopses of these legislative requirements. Country effects might be expected to persist even having controlled for the composition of workplaces and workforces.

### **Product market / industry sector:**

The competitiveness of the product market is another factor that may affect the likelihood of a workplace having structures for employee representation. On the one hand, greater levels of competition serve to increase the benefits to employers of avoiding forms of joint regulation, which may raise costs (especially wage costs). They also serve to decrease the benefits to employees of establishing or maintaining mechanisms for rent-sharing (Brown, 2008). This would suggest that unions are more likely to be present when markets are less competitive; works councils may not exhibit any association as they are not primarily rent-seeking. On the other hand, financial distress can increase the demand among employees for representation as a means of protecting existing terms and conditions (Jirjarhn, 2009; Machin and Wadwhani, 1991). This would suggest a positive association between competition and the presence of both unions and works councils.

The nature of the product or service may also be relevant. Dundon and Gollan (2007) argue that dialogue between managers and employees will be more beneficial (in efficiency terms) when there is a high degree of customer contact for staff – as in most service industries – since employees’ private knowledge of customers’ needs will be important in identifying quality improvements. There is also evidence of some within-sector homogeneity in industrial relations arrangements across different countries (Bechter et al, 2011), which suggests that the nature of production has an influence.

Finally, the degree of sectoral bargaining may have an effect on the prevalence of workplace structures for representation, although the nature of the association is not clear cut. On the one hand it is possible that strong sectoral bargaining may reduce the incentives for employers and employees to invest in workplace-level structures. On the other hand, the incentives may be raised if discussion is needed within individual firms over the detailed application of a sector-level agreement.

### **Firm / workplace size**

Small organisations interested in engaging in two-way communication with their employees can do so using direct forms of two-way communication. This is because the physical proximity of managers and employees makes this feasible. In the smallest workplaces, employee representation may be a nonsensical concept, so employers and employees can forgo the costs associated with setting up and servicing more formal, representative structures. In larger organisations it is efficient for employees to communicate with management via representatives who can aggregate the preferences of workers (thus minimising transaction costs). There are also returns to scale in the formal procedures that are often the substantive focus of workplace-level employee representation.

As noted above, legislation supporting employee representation is often only binding on firms or workplaces above a certain size threshold. This is another reason to expect employee representation to become more common among larger organisations. Previous research suggests the probability of employee representation rising with workplace size and that this is almost universal among the largest firms and workplaces (see Van Gyes, 2006, p.72; Riedmann et al, 2010. p.48).

### **Ownership**

Public sector organisations may reflect state-level preferences for particular forms of social dialogue. This is not least because such preferences are easier for the state to enforce when it is acting as the employer. These preferences may be



historic in nature, being shaped largely by the preferences of the state at times of public sector expansion. In Britain, the state historically set an example to the private sector by endorsing principles of fairness, involvement, and equity in its treatment of its workforce (see Priestley Commission, 1955). These principles were associated with the encouragement of trade union membership, support for centralised systems of collective bargaining and other forms of workforce participation. Similar principles have applied elsewhere in Europe. Nevertheless, some countries, such as the Netherlands, Austria and Lithuania, have sought to restrict provisions for employee representation in the public sector to some degree. These restrictions may be prompted by concerns about the distinct status of public servants and their central role in the administration of the state.

The probability of having workplace representative structures may also differ between domestic and foreign-owned firms, if the activities of foreign-owned firms are influenced by prevailing practice and norms in their country of origin (see Marginson and Meardi, 2010). Whether foreign-owned firms are more or less likely to have workplace representation will, of course, depend on the extent to which the host country differs from the country of origin.

### Cohort or age

Perceptions of the legitimacy or value of different forms of representation, and legislative provisions underpinning their establishment, have changed over time. Newly established firms entering the population at different times are therefore formed under different environmental conditions. These can be expected to influence managerial choices regarding whether to invest in structures of employee representation, and in what form. Moreover, as there are fixed costs involved in establishing forms of employee representation, and in switching between states (for example, through the de-recognition of a union), one may expect to see some state-dependence in the forms of social dialogue that exist within firms. One may thus find an association between the presence of structures for employee representation and firm cohort (year of birth) (see Millward et al, 2000).<sup>7</sup>

### Organisational structure

Multi-site firms have a choice as to whether to locate employee representation at workplace-level, or at company level. These firms may determine that it is cost-effective for employee representation structures to exist solely at company level. Alternatively, a preparedness to countenance employee representation at company level may also imply a greater preparedness to see employee representation at workplace-level. The ‘organisational distance’ of branch sites from the centre may also prompt the establishment of workplace representation in branches if this is seen as an effective means of communication between the centre and a dispersed workforce.

Changes in organisational structure, such as those arising from mergers and acquisitions, increase the likelihood that management and employees will wish to engage in social dialogue. This is for a number of reasons. First, firms may be required by law to consult with and inform employees under the EU Directive on Information and Consultation (2002/14/EC). Second, management may want to encourage employee participation in the process of change because the benefits outweigh the costs.<sup>8</sup> Third, employees may wish to establish arrangements for social dialogue as a means of protection against the risk that working conditions or job security are threatened (Mohrenweiser et al, 2011). These are

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<sup>7</sup> There may be separate effects of firm age, even after controlling for size, since structures for social dialogue cannot typically be established instantly. However, age and cohort cannot be separated in a cross-sectional dataset. Unfortunately, neither are observed in ECS 2009.

<sup>8</sup> See Bryson et al (2009) for evidence that workplace trade union representation can help to improve employees’ experience of organisational change.

reasons to expect ad hoc employee representative structures to be set up to deal with specific circumstances. It is unclear a priori whether they will subsequently take root and become part of the employment relations regime at the workplace. Nevertheless, one may expect that institutions for workplace social dialogue may be more common in firms or sectors which are facing, or have faced, substantial organisational change.

### **Workforce composition**

At least two theoretical reasons anticipate a higher incidence of employee representation in workplaces with a higher proportion of high-skilled employees. First, social dialogue can reduce quit rates among employees for reasons discussed earlier. This is more valuable to employers where employees possess substantial human capital and are thus costly to replace. Second, other things being equal, one may expect higher skilled employees to contribute more in discussions regarding productivity enhancements. From the employee perspective, however, there are reasons to expect a higher incidence of employee representation in workplaces with greater shares of lower-skilled employees, since lower-skilled employees have a stronger incentive to organise collectively because of their relatively low bargaining power.

Density of temporary workers may also be associated with the probability of employee representation. Workers with temporary or short fixed-term contracts may have a lower desire for employee representation than workers with permanent contracts because they necessarily have a limited time in which to recoup the costs (money, time etc.) that may be associated with initiating or supporting representative structures.

### **Complementarity with other HR practices**

The nature of the work environment may be important in determining the likelihood of workplace-level employee representation. High-commitment work systems, which offer job autonomy and the delegation of responsibility to work teams, require managers to provide substantive mechanisms for communication and consultation (Walton, 1985). However, the increased use of agency workers, outsourcing, home-working and telework has also fragmented the workforce. The establishment and maintenance of mechanisms for social dialogue are arguably more necessary in such circumstances, since informal contact is likely to be restricted. Despite this, notable difficulties present in creating effective voice mechanisms in such circumstances; this is because of the reduced organisational capacity of a dispersed workforce (Marchington et al, 2005).

### **Employer resourcing of employee representation**

The extent to which employee representatives are allowed time to undertake their representative activities represents a primary issue of concern. Another important factor is the extent to which representatives are provided with sufficient information about the business to participate effectively in decision-making.<sup>9</sup>

One would expect that factors associated with employee representative structures would also be associated with employer support for these structures. Examples of such support would include paid leave for undertaking representative duties and the provision of business information. Some forms of support would be particularly important.

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<sup>9</sup> One might also consider whether the employer subsidises the cost of training for representatives or whether they provide representatives with office equipment or facilities. However, neither are measured in ECS 2009.

One important factor is the legislative environment. Most countries in Europe have legislative provisions which require employers to allow union and works council representatives some paid time off from their normal work duties to undertake representative activities; exceptions include Ireland and Latvia. Legislation also governs information provision, with such legislation present in all Member States by virtue of the regulations governing information and consultation. However, countries differ in their application of regulations and so one may expect some heterogeneity across countries affected by this legislation.

Size of firm is also likely to be an important determinant of employer resourcing of representative structures. This is because an employer is more likely to grant time off to a representative fulfilling their agency role on behalf of large numbers of employees than one who is doing so on behalf of very few employees. A representative with a large constituency has the potential to save the employer considerable time and effort when compared with a situation in which the employer has to deal with each employee individually. For this reason, the employer may be inclined to invest in the representative process in order to secure these economies of scale. Ultimately, the employer may be willing to allow the representative to focus solely on their representative activities.

Firm ownership could also be important. Publicly listed firms are frequently required to place financial information about the business into the public domain. This may increase their willingness to share such information with representatives (in advance of its publication) than those firms that have no such obligations to make their financial circumstances public. On the other hand, listed firms may also use stock market regulations to avoid sharing information with employee representatives, as has been the experience of some European works councils.

The level of employer resourcing of structures for employee representation is also likely to depend upon the coercive and legitimacy power of any employee representatives present (see French and Raven, 1968, for a discussion of the different bases of power). Forms of representation with coercive power are more likely to be able to compel the employer to provide time off or to release information. Those with legitimacy power are more likely to be given such things willingly.

Coercive power is typically indicated for trade unions by their membership density within the workplace. Alternatively, it may be indicated – for any form of representation – by the degree of legislative support that it enjoys. Legitimacy power is also indicated by the same factors; a representative is more likely to be seen as a legitimate agent of employees if they represent a larger fraction of the workforce, for example. However, the extent to which an employer views a representative as ‘legitimate’ will also depend upon their frame of reference: whether it is pluralist or unitarist. Employers with a unitarist frame of reference are likely to consider trade unions, in particular, as unnecessary and prefer direct communication with employees.

### **The relationship between employers and employee representatives**

This section considers whether or not managers and employee representatives have a cooperative relationship, and whether the relationship is characterised by avoidance or obstruction. The distinction is not strictly between peace and conflict, because conflict may be considered inevitable. Instead, focus is placed on the question of whether or not the parties approach the relationship in a constructive manner, with the intention of solving problems together. It explores managers’ preference for representatives over direct forms of engagement with employees, and the extent to which managers and representatives make sincere efforts to resolve common problems.

Representatives’ legitimacy power is arguably more important than coercive power in this case. For example, the legislative environment – one important potential source of coercive power – is not likely to be particularly influential. This is because the state may be able to force parties to engage but will find it more difficult to ensure that they negotiate

or consult in good faith. Sources of coercive power are perhaps important only in so far as they help to shape views about the legitimacy of different structures of representation (and thus shape the nature of one's approach to them).<sup>10</sup>

Employers' views of the legitimacy of representation are thus important. Some of the factors which may shape employers' views were discussed above. Other views, which may encourage an employer to perceive a representative as having greater legitimacy, include: their ability to represent the full diversity of opinion in the workforce; whether they have been democratically elected to their position as a representative; and their level of experience in the role. Each of these factors is likely to shape the employers' view of the likely effectiveness of the representative as an agent of workers, and thus the character of the relationship.

Environmental factors may be also relevant. Managers in highly competitive product markets may be more likely to avoid engaging with, or to obstruct, trade unions, which aim to mobilise workers and bargain over terms and conditions. Instead, they may be more likely to engage willingly with consultative forms of representation. This approach offers the prospect of easing the process of organisational change, with a lower risk of a need for expensive bargains or of industrial unrest.

Finally, one may expect that an employer's approach to any engagement with employee representatives may reflect their general approach to the workforce. Employers who appear to demonstrate a credible commitment to the so-called 'psychological contract' with their employees are also likely to engage constructively with their employees' representatives. One may thus expect that the quality of relationship between employers and employee representatives may positively correlate with the presence of HR practices deemed to indicate a healthy psychological contract, such as share ownership.

## The breadth and depth of social dialogue

In considering the breadth of social dialogue, we are concerned with the number or range of items under discussion. In considering depth, we are concerned with the degree of influence enjoyed by employee representatives over certain topics. Again, it is envisaged that many factors that are considered to affect the presence or absence of structures of employee representation will also be relevant in determining the breadth or depth of social dialogue. Certain factors are expected to be particularly influential.

First, it is expected that the centralisation of the system of joint regulation in the country or industry sector will be important. It has already been noted that, in some countries, there are strong and established structures of joint regulation which operate at national or sectoral level. These can be expected to limit the influence of workplace-level structures.

Legislation may also be particularly influential. On the one hand, there are instances where the state seeks to govern the range of issues that should be subject to negotiation or consultation between the social partners. On the other hand, there are also instances in which the state places limits on the exercise of coercive power by employees in pursuit of greater influence. In Germany, for example, works councils have a legal right to engage in consultation but are prohibited from engaging in strike action. It is generally the case that trade unions have more coercive power than other forms of representation, by virtue of their ability to organise workers and credibly threaten industrial action. For this reason, the breadth and depth of social dialogue is likely to be greater for unions than other forms of representation, and to be greater

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<sup>10</sup> Freeman and Lazear (1995) argue that the legally mandated nature of continental works councils may embed labour-management cooperation more deeply than the voluntary arrangements which have been the tradition in the UK. This is because management have a stronger incentive to maintain cooperation with the works council and so have less incentive to 'defect' by abolishing or ignoring it.

still when membership density is high. One corollary is that the degree of influence possessed by works council-type representation may be greater when trade union representatives are embedded within the membership of the works council. This is often the case in countries such as Belgium, Germany and Denmark.<sup>11</sup>

Looking to the characteristics of the workforce, higher-skilled groups are likely to have more influence over managers than lower-skilled ones, as they are less easily substituted. The heterogeneity of the workforce may also be relevant: if the workforce comprises different types of job, bargaining may cover only some positions, as bargaining groups are typically defined with reference to occupation.

The competence of representatives is likely to have an influence on the breadth and depth of social dialogue. All other things being equal, one would expect representatives to have more influence if they are well resourced, trained and experienced, and if they are able to call upon additional support from a wider network of representatives, such as full-time trade union officials.<sup>12</sup> Leadership qualities are also likely to be important, particularly when negotiations are required, although these are difficult to measure.

The character of the relationship between the employer and employee representatives is also a key factor. Freeman and Medoff (1984) stressed the importance of managerial response to worker voice (specifically trade union voice) in determining the effects of voice practices.

Moving outside the workplace, the broader labour market situation is also relevant. This is because a slack labour market, in which many workers are competing for vacant posts, weakens the hand of labour. Moreover, strong product market competition weakens employee influence (since the employer has less scope to raise labour costs). It also provides a disincentive for employees to engage in rent-seeking behaviour, as available rents are small.

## **Behavioural outcomes associated with social dialogue**

A focal interest on the quality of the employment relationship in turn leads to a focus on ‘behavioural’ outcomes. These include the climate of employment relations within the workplace, employee motivation and the stability or longevity of employment relationships. There is no explicit investigation of ‘economic’ outcomes such as wage levels, wage inequality, productivity or profitability, although there is clearly a link between these issues and behavioural outcomes; this could be the focus of further research.

As indicated earlier, if social dialogue is functioning well, one would not necessarily expect harmonious relations. The climate of employment relations between an employer and their employees may thus appear to be poorer in the presence of meaningful social dialogue than in its absence. However, by providing voice for workers, meaningful social dialogue encourages voice over exit. One would therefore expect workplaces with meaningful social dialogue to have fewer problems in retaining staff. In essence, one would expect meaningful social dialogue to assist in the promotion of more stable and more constructive employment relationships.

When testing these hypotheses, one important issue to be investigated is the importance of form. This concerns the extent to which unions or works councils possess the characteristics previously referred to and whether either form is more or less likely to be associated with particular behavioural outcomes.

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<sup>11</sup> Unfortunately this hypothesis cannot be tested because of the absence of reliable data in ECS 2009 on the composition of the works council.

<sup>12</sup> One counter argument is that high levels of employer resourcing could compromise the independence of employee representatives and dampen their effectiveness.

# Analytical approach 4

This section outlines the approach taken to the empirical analysis of ECS 2009. The purpose of the analysis is to provide an examination of the propositions put forward in the theoretical framework. The issues to be examined thus relate directly to those discussed in the previous section.

Firstly, factors associated with the presence of employee representative structures at workplace level are examined. Correlates are explored between the characteristics of the workplace (micro-level), the industry in which it operates (meso-level) and the country in which it is located (macro-level). This is followed by a presentation of the characteristics of employee representative structures in workplaces where they are present. The analysis focuses specifically on the extent of employer resourcing, the character of the relationship between managers and representatives and the depth of representatives' influence in the workplace. Finally, associations between workplace representation and the behavioural outcomes referred to in the final part of the previous section are examined. These are: the climate of employment relations in the workplace; motivation levels among the workforce; and the stability of employment relationships.

## Data

### European Company Survey 2009

The ECS 2009 was a large-scale, European-wide survey of workplaces carried out across the 27 EU Member States and the candidate countries of Croatia, the former Yugoslav Republic of Macedonia and Turkey. This gave a total of 30 participating countries. The survey was managed by Eurofound and administered by TNS Infratest Sozialforschung.

The survey was conducted in two stages. The first stage comprised a telephone interview with management representatives, who were asked (among other things) about the structures of employee representation present in their workplace. The second stage comprised a telephone interview with employee representatives in those workplaces where an institutionalised or statutorily-based form of employee representation was identified to be present. The universe for the survey comprised all workplaces with 10 or more employees from all sectors of industrial activity, with the exception of agriculture (NACE Rev 1.1 Section A), fishing (Section B), activities of households (Section P) and extra-territorial organisations (Section Q). Workplaces in both the private and public sectors were included in the survey's sampling frame. The sample was selected by variable probability sampling, over-representing large workplaces and those in smaller industries and countries. Sampling weights are provided with the survey data to correct for these purposeful sample biases.

The management interview yielded an achieved sample of 27,160 workplaces: an average of around 900 workplaces per country.<sup>13</sup> Some 13,179 (48%) of these workplaces had a form of employee representation which was eligible for the second-stage interviews. For the second stage, excluded workplaces included those in which managers refused to facilitate access to an employee representative and those in which identified employee representatives declined to participate. In total, the second stage yielded interviews with 6,569 employee representatives, representing a response rate of 50%.<sup>14</sup> The second stage thus provided an average of 220 employee representative interviews per country, although individual country rates range from 565 in Finland to just 24 in Malta. Further details about the content and methodology of ECS 2009 are provided by Riedmann et al (2010) and in the methodological report that accompanies the version of the survey data and which has been deposited with the Economic and Social Data Service (Eurofound and TNS Infratest Sozialforschung, 2010).

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<sup>13</sup> In practice, the achieved sample size comprised approximately 1,500, 1,000 or 500 respondents, depending upon the size of the universe in each country.

<sup>14</sup> A new non-response weight was developed for use with the employee representative sample.



As noted above, the management interview in ECS 2009 identified the presence of various forms of workplace employee representation. This analysis focuses on institutional or statutorily-recognised forms of workplace representation which means trade union representation and works-council type representation. Annex 1 indicates the terms used to identify eligible bodies in each of the 30 countries which featured in the survey sample. Other questions identified the presence of health and safety representatives, company-level representatives and ad hoc forms of representation; the latter two were only raised in workplaces with no trade union or works council representation.

Questions about the nature of existing trade union or works council representative structures were mostly asked in the interview with employee representatives. As noted above, the survey sought to interview only one representative per workplace. Accordingly, priority was given to specific forms of representation in workplaces where more than one eligible body was identified; the priority rule pertaining to each country is indicated in Annex 1. One implication is that the achieved sample of employee representatives in many countries comprises a mix of trade union and works council representatives (see Figure 13 in Annex 1). For this reason, the analysis controls for this variable.

Analysis focuses on the characteristics highlighted in the theoretical framework, summarised below.

*Employer resourcing of representative structures:* The employee representative interviews provide indicators of whether or not the employer grants the representative sufficient paid time off to carry out their representative duties or detailed information on the employment situation and economic situation at the workplace.<sup>15</sup>

*The character of the relationship between managers and employee representatives:* The employee representative provides an indicator of whether the representative considers that managers and employee representatives make sincere efforts to resolve common problems. The management interview indicates whether managers would prefer to avoid engaging with representatives by consulting directly with employees.<sup>16</sup>

*The breadth and depth of social dialogue:* The employee representative interviews provide data on the extent of representatives' influence on management decisions across nine areas of employment practice. These include the determination of pay, changes in the organisation of work and equal opportunities.<sup>17</sup>

The indicators of behavioural outcomes derive from the management interview and are as follows:

- *Climate of employment relations:* The manager is asked to rate the work climate in their establishment on a four-point scale ranging from 'very good' to 'very strained';<sup>18</sup>

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<sup>15</sup> No indicator is used regarding whether or not the employee representative regularly receives training related to their role (ER304). This is because the survey data does not address who pays for any such training; accordingly, this cannot be used definitively to indicate employer resourcing.

<sup>16</sup> ECS did not, unfortunately, address questions with the same focus and phrasing to both managers and employee representatives.

<sup>17</sup> Other, specific indicators of representatives' influence in particular areas of practice, such as the setting up of any performance-related pay schemes or the establishment of working time arrangements are not used. Instead, the preferred focus is on the aforementioned set of nine directly-comparable questions.

<sup>18</sup> This is preferred to a measure of the incidence of industrial action as the latter is likely to be only relevant to union representation (in many countries, works councils are prohibited from initiating industrial action).

- *Problems with employee motivation:* The manager is asked if the establishment has problems with low motivation among its staff;
- *Problems with staff retention:* The manager is asked if the establishment has difficulties in retaining staff.

The management and employee representative interviews also provide a range of other indicators regarding the characteristics of workplace and representatives. These can be used to control for other factors and thus to identify the independent association between a specified characteristic and a particular facet of workplace social dialogue. These include indicators of workplace size, ownership, workforce composition and work organisation.

In combination, these sets of indicators allow us to examine many of the propositions put forward in the theoretical framework. Key omissions were mentioned during that discussion.

### External data items

ECS 2009 identifies the country and industry sector in which each workplace is located. In an attempt to understand country and industry specific factors that might drive any observed differentials, a range of external descriptive items are matched. These are summarised below.

- *Industrial relations regime:* Country classification regarding the five industrial relations regimes (northern Europe, centre-western Europe, southern Europe, western Europe, and central-eastern Europe). Source: Visser (2009a).
- *Model of workplace employee representation:* Whether or not it is possible for both unions and works council-type representation to be present at the workplace and, if so, the extent to which legislation separates their respective roles. Source: Fulton (2010).
- *Dominant level of bargaining:* Whether the dominant level of wage bargaining on a national level is national, sectoral or by company. Source: variable LEVEL in the ICTWSS database (Visser, 2009b).
- *Threshold for triggering works council-type representation:* The minimum number of employees that must be present in an undertaking in order for workers to be able to trigger the establishment of works council-type representation. Source: Fulton (2010).
- *Legislative support for trade unions:* Whether there is legislation to enable workers to trigger trade union representation within an undertaking. Source: Fulton (2010).
- *Public confidence in trade unions:* The mean score per country on Question 63E in the 2008 European Values Survey, which asks respondents to rate their degree of confidence in trade unions on a four point scale ('A great deal'; 'Quite a lot'; 'Not very much'; 'None at all'). This involves authors' calculations from survey data.
- *Whether trade union representatives have a right to paid time off* in order to carry out their representative duties. Source: Fulton (2010).
- *Whether works council-type representatives have a right to paid time off* in order to carry out their representative duties. Sources: Fulton (2010) and Calvo et al (2008).

These external indicators are used at specific junctures of the analysis to better understand any observed differences between countries. Each indicator is available for the EU27; the value held by individual countries on each of the indicators is shown in Annex 3.



In order to better understand any observed differences between industry sectors, matching is also conducted of external indicators of profitability; these are compiled at industry level within each country. This is the final descriptive item used in this analysis.

- *Profitability*: The price-cost margin, computed within each country at one-digit NACE sector level.<sup>19</sup> This involved authors' calculations from 2006 data in the EU KLEMS database (Timmer et al, 2009).

## Analytical methods

The analysis uses multivariate regression methods in order to identify the independent association between a particular outcome (such as the probability of having some form of employee representation) and a specific characteristic (such as workplace size). This is done after controlling for the influence of all other specified characteristics. Logistic regression and ordinary least squares are used as appropriate; the specific method adopted in each of the analyses is noted in the discussion of these results. Regarding the logistic regression analyses, marginal effects are presented, rather than log odds or odds ratios. These marginal effects show the change in the probability of an outcome, such as the probability of a workplace having some form of employee representation. This change arises – after controlling for other factors – when one moves from the reference category on the relevant characteristic to the specified category.<sup>20</sup> A marginal effect of 0.05 can thus be translated as an increase of 5% in the probability of the outcome.

Those analyses that utilise the full sample of workplaces employ the establishment weights (EST\_WEI). These have been provided with the public-use dataset to account for the use of variable probability sampling during the sample selection process. A robust variance estimator is used to adjust estimated standard errors to account for any resultant design effects. For the sample of employee representatives, a new weight was created to reduce the biases introduced into this sub-sample by variations across countries and workplaces in the percentage of eligible workplaces which yield employee representative interviews. Further details of the derivation and effects of this new weight for employee representatives are provided in Annex 2.

In some countries, a low coverage of employee representation or a low yield of interviews among employee representatives serve to provide very small samples of representatives for analysis. Fewer than 100 representative interviews were conducted in Cyprus, Estonia, Greece, Ireland, Malta, Portugal and Turkey. One must therefore be cautious in attaching any great significance to the raw estimates for these countries. Caution must also be applied regarding their coefficients in any models based only on the subsample of workplaces providing employee representative interviews, despite the compilation of the new weight described above.

Three other substantive issues present in respect of the analytical methodology. First it has to be recognised that the ECS 2009 data have a clear group structure, whereby workplaces are nested or clustered within countries. As noted before, this report focuses on factors that might help to explain cross-country differences. Some external data items used to this end have already been outlined. When replacing the country identifiers with these descriptive variables, there is a need

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<sup>19</sup> There are a variety of possible measures of market environment; however, the price-cost margin is most extensively available for the current purposes, being provided at sector level (NACE 1-digit, i.e. 13 sectors) in 25 of the 30 countries that feature in ECS 2009 (the exceptions being Bulgaria, Romania and the three candidate countries). The price-cost margin is computed as (Gross output – intermediate inputs – labour costs)/Gross output.

<sup>20</sup> The marginal effects are computed after holding all other variables in the regression at their mean value.

to acknowledge that, unless these variables can account for all of the between-country variance, there will remain some within-country correlation in the residuals. This will bias the standard errors from any regression analysis downwards (see Moulton, 1990, for example). Here, it is accounted for by explicitly acknowledging the clustered nature of the data in variance estimation. An alternative would have been to pursue a multi-level modelling approach. However, the complexities of estimating multi-level models of binary outcomes with large numbers of covariates on weighted data, and with a maximum of only 30 groups, argued in favour of the more straightforward approach outlined above.

Second, the survey design provides data from only one employee representative in each workplace. It was noted earlier that, when more than one eligible body was identified in a workplace, either trade union or works council representatives were prioritised for interview, depending on the country. Furthermore, interviews were sought from the main spokesperson if a particular representative structure (say a union) had multiple representatives. These selection rules were designed to enhance the practicality of the survey in the field. However, they do imply that the data obtained in the employee representative interview does not come from a random sample of all representatives, but from a sample that may be more influential than average. The samples of trade union and works council representatives will also be dominated by respondents from those countries where the specific type of representative was prioritised in selection. One would prefer a situation in which trade union and works council representatives were given equal chances of selection in cases where both were present, or one in which employees were interviewed; however, neither option was part of the design of ECS 2009.

The third and final issue to be raised is that of causality. The ECS 2009 data are cross-sectional in nature, offering a snapshot of practice in each workplace at one specific point in time. It is not possible to robustly identify causal effects with such data. The regression results presented in the following two sections should thus be interpreted as conditional associations, rather than as causal effects.



# The extent and nature of social dialogue 5

This section presents the results of an empirical analysis of the extent and nature of workplace social dialogue using ECS 2009. In each case, the discussion begins by presenting some descriptive analysis of the item in question – typically an examination of how behaviour varies across the 30 countries in the survey sample. The discussion then turns to the results of the regression analysis in which a range of competing influences are controlled for and independent associations with the item or question are thereby identified. The discussion begins with an examination of the likelihood that a workplace will have some form of employee representative structure.

## Formal employee representation in the workplace

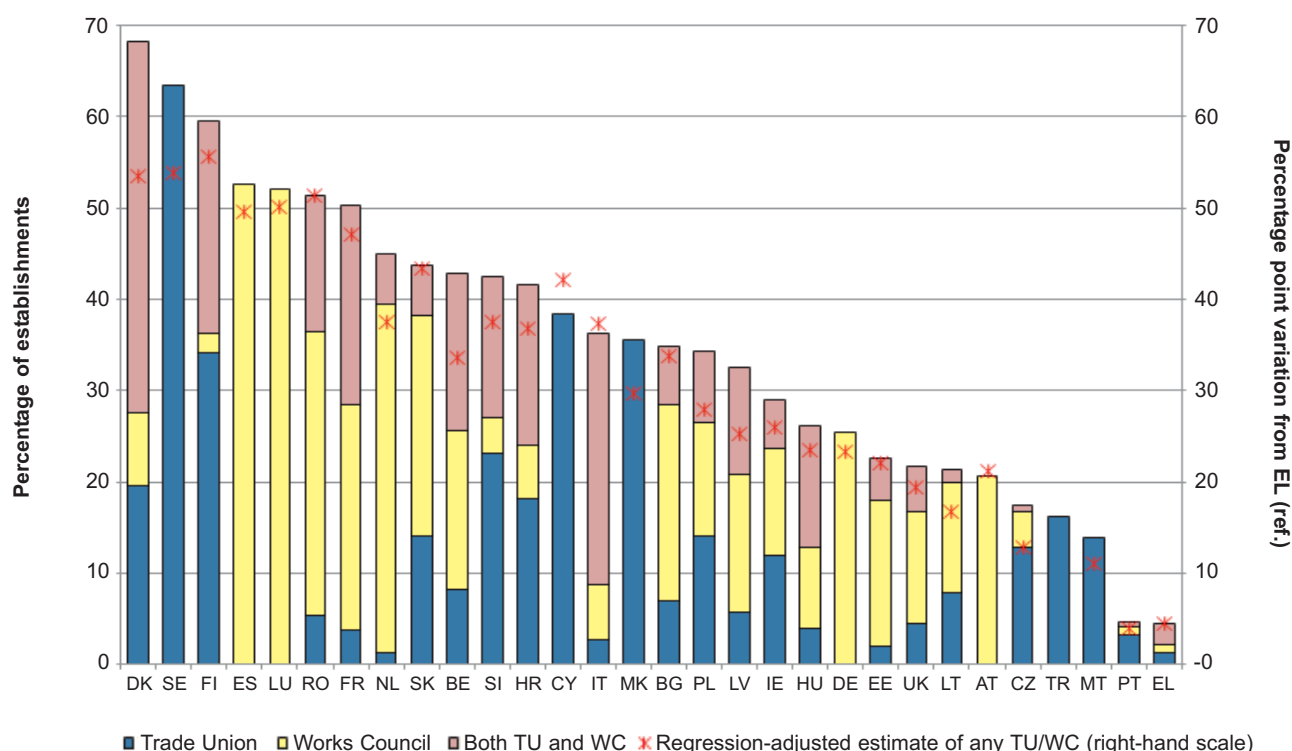
As noted earlier, the examination of whether or not a workplace involves formal employee representation is focused on institutional or statutorily-recognised forms of workplace representation, which in this case means trade union representation and works council type representation. Annex 1 indicates the wording used to identify eligible bodies in each of the 30 countries that featured in the survey sample.

Figure 2 shows the incidence of these forms of employee representation by country (the asterisks are explained later during the discussion of the regression analysis). It is immediately apparent that considerable variation exists between countries regarding the proportion of workplaces with at least one of the aforementioned forms of employee representation. The rate is above 55% in Denmark, Sweden and Finland, but below 20% in five countries, most notably Portugal and Greece where fewer than 5% of workplaces have either form of employee representation. The average level of employee representation across all workplaces in the sample is 34%. Similarly, considerable variation occurs across countries regarding the proportion of workplaces with trade union or works council representation. Some countries have only one form. For example, trade union representation is the only form observed in ECS 2009 in Sweden, Cyprus, the former Yugoslav Republic of Macedonia, Turkey and Malta; conversely, works council representation is the only form observed in Spain, Luxembourg, Germany and Austria.<sup>21</sup> Among the remaining 21 countries, in some, such as the Netherlands and Cyprus, only one type of representation tends to be the present. In others, such as Denmark and Italy, both tend to be present. The regression analysis first examines characteristics that are associated with the presence of some form of workplace employee representation (irrespective of whether it is provided by a trade union or a works council). It then moves on to consider the two types.

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<sup>21</sup> In Spain, this was due to a mistake in the survey, which should have provided the option for workplace managers to record the presence of trade unions (see Aumayr et al, 2011).

Figure 2: Incidence and type of workplace representation, by country



Base: all workplaces with 10+ employees

Source: ECS 2009

As described earlier, the analysis begins by specifying a regression model in which the dependent variable is a binary variable of whether either form of representation is present at the workplace. The detailed results are presented for the interested reader in Annex 4, where the first column of Table 8 shows the marginal effect of country, without any further covariates. Greece is set as the reference category and the marginal effects thus indicate the magnitude of any difference in the extent of workplace employee representation between Greece and each specified country. These figures – which provide the starting point for the regression analysis – are thus directly comparable to the total height of the bars in Figure 2.

The theoretical framework suggested a wide range of workplace characteristics that may be associated with the probability of a workplace having trade union or works council representation; many of these are available in ECS 2009.<sup>22</sup> The baseline specification adds to the regression model those workplace characteristics proposed in the theoretical framework that have a statistically significant association with the probability of workplace representation; this involves ignoring characteristics that are clearly endogenous, such as the economic situation of the workplace.<sup>23</sup> The marginal effects of each variable are provided for the interested reader in the second column of Table 8.

<sup>22</sup> Notable omissions, such as firm age, were mentioned during an earlier discussion.

<sup>23</sup> This baseline specification is similar to that developed by Van Gyes (2010). While it includes indicators of organisational change and employment change, indicators of shift work and weekend work were not found to be associated with the probability of workplace representation after controlling for other factors.

There are some notable differences between countries in the distribution of workplaces across these baseline characteristics. Portugal and Greece, for example, have relatively high proportions of small workplaces; 66% and 69% respectively have 10–19 employees, compared with a sample average of just 52%. The cross-country differences therefore change to some degree once the differences in the baseline characteristics have been controlled for. Whilst the rank order of countries does generally remain stable, the differences between countries typically reduce in magnitude, indicating that at least some part of the between-country variation shown by the total height of the bars in Figure 2 is a function of heterogeneity across countries in workplace characteristics. The reductions are relatively small, however, and substantial differences between countries remain. These are shown by the asterisks in Figure 2. The probability that a workplace in Denmark has some trade union or works council representation remains 54 percentage points higher than that for a workplace in Greece, for example. This is the case even after controlling for the workplace characteristics included in this baseline specification.

Examining the workplace characteristics themselves, one finds that many of the associations accord with the propositions of the theoretical framework. Workplace employee representation is more likely in larger workplaces and in those that belong to multi-site organisations; the latter is a reasonably proxy for organisation size in the absence of a direct indicator of organisation employment. Workplace representation is also more likely in the public sector than in the private sector, although no statistically significant differences occur within the private sector between domestic and foreign-owned firms.<sup>24</sup> Workplace representation is more likely in organisations that have undergone a recent takeover or merger and in workplaces where employment has been decreasing; both events are likely to trigger a need or desire to consult staff over process and outcomes.<sup>25</sup> Representation is less likely in workplaces where employment has been increasing. Nonetheless, it seems feasible that the underlying association may be with workplace age, since employment growth is more common when workplaces and firms are young than when they have become established.<sup>26</sup> Workforce composition is found to be important, with representation being less likely in workplaces with a high share of female workers and in those with a high share of skilled workers.<sup>27</sup> Work organisation is also relevant; representation is less likely in workplaces with a high share of fixed-term contracts and more likely in workplaces that involve some night-work.

It should be noted that it is not possible in ECS 2009 to control for the presence of direct forms of engagement between managers and employees; examples of relevant data would include the prevalence of workforce meetings or team briefings. This is because the survey gathered no indicator data on this issue. It is also not possible to control comprehensively for the presence of other forms of representation. Questions about the incidence of ad hoc forms of representation, such as committees set up temporarily to consider changes in working conditions, and about employee representation at higher levels in multi-site organisations are only asked in workplaces with no representation at site level. It is therefore not possible to assess the extent to which direct forms of communication, ad hoc representation or company-level representation, may substitute for or complement workplace-level representation by trade unions or works councils. It is difficult to prejudge the outcome; it can only be noted that the incidence of ad hoc representation, in particular, is substantial in many countries (see Figure 3).

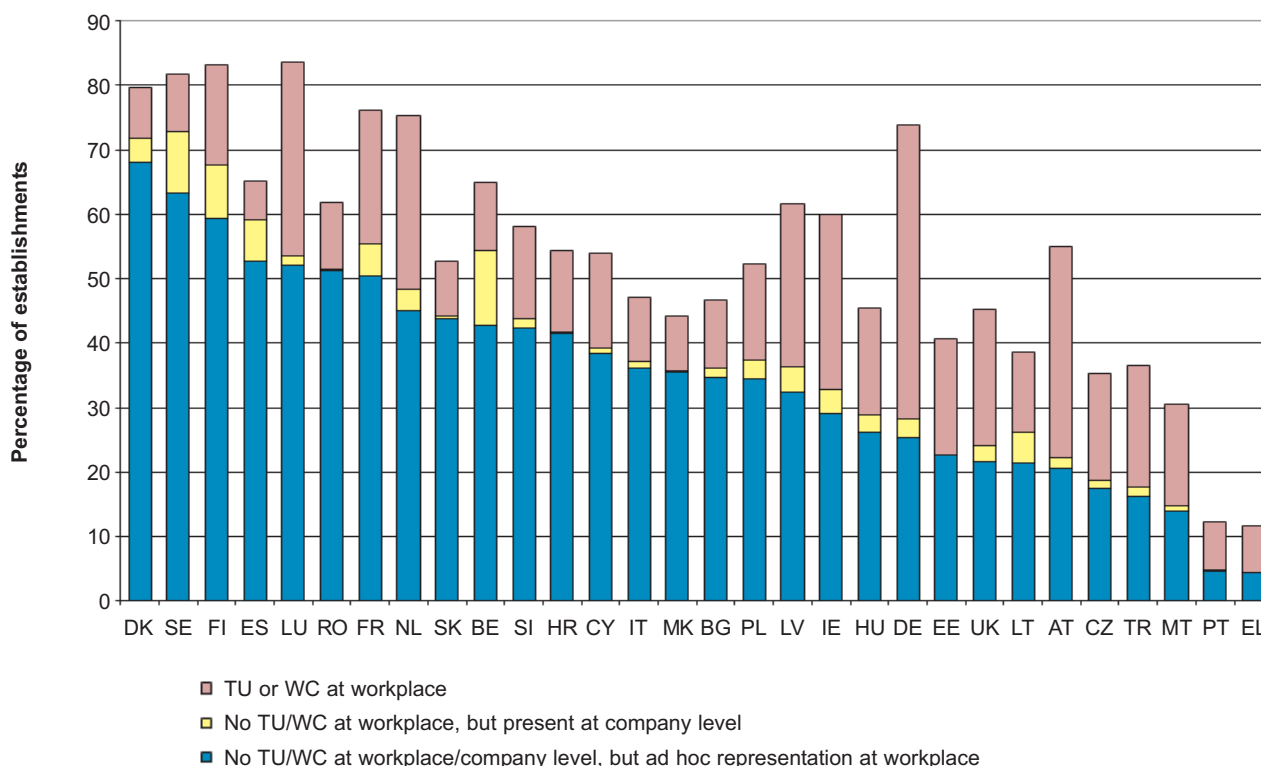
<sup>24</sup> It is not possible to investigate the relevance of country of origin as this is not recorded.

<sup>25</sup> An indicator of recent relocation was not statistically significant.

<sup>26</sup> In countries such as Britain, younger workplaces are less likely to have employee representative structures, all other things equal, with one reason being their establishment at a time of lower acceptance of trade unions.

<sup>27</sup> The share of part-time workers was not statistically significant.

Figure 3: Incidence of workplace, company-level and ad hoc representation, by country



Base: all workplaces with 10+ employees

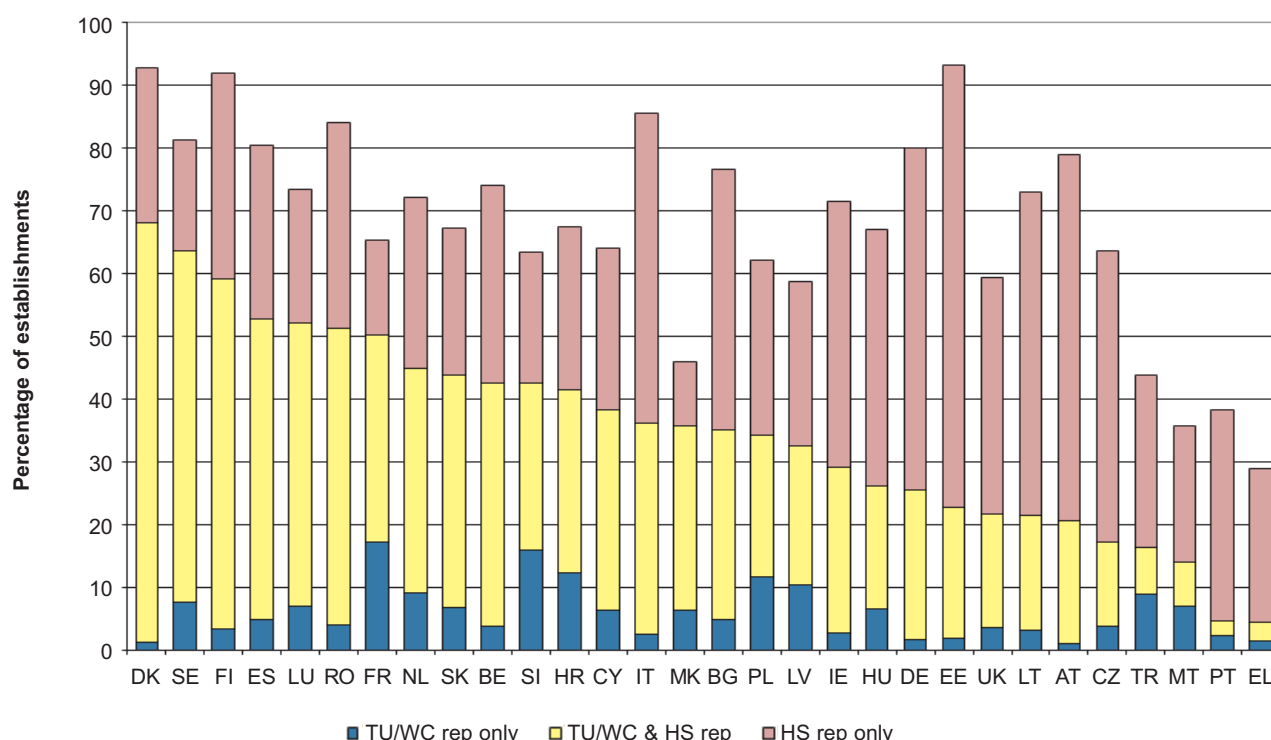
TU: trade union; WC: works council

Source: ECS 2009

It is possible, nonetheless, to examine the relationship between the presence of trade union and/or works council representation and the presence of ‘persons or committees which represent employees in issues related to health and safety at work’ (hereafter referred to as health and safety representatives). Questions about the presence of health and safety representatives were posed in all workplaces. Figure 4 shows that such representation was very common in many countries and often coincided with the presence of trade union and/or works council representation.<sup>28</sup>

<sup>28</sup> In some cases, trade union and/or works council representatives may also have served as health and safety representatives, although the prevalence of this cannot be discerned from the data.

Figure 4: Incidence of workplace and health and safety representation, by country



Base: all workplaces with 10+ employees

Source: ECS 2009

A further specification of the regression model added an indicator of the presence of health and safety representation. It also added a number of other indicators that were excluded from the baseline specification because of explicit concerns about reverse causality. These were: indicators of human resource practices, such as team working, performance-related pay, workforce training provision, and flexible working arrangements; an indicator of recent HR innovation, namely whether or not the workplace had introduced major changes in remuneration systems, work organisation, working time or other restructuring measures in the last three years; and the manager's perception of the economic situation of the workplace. In this augmented model, the presence of health and safety representation is positively associated with the presence of trade union and/or works council representation, as one would expect. Workplaces with health and safety representation are 17 percentage points more likely to have this representation, after controlling for other factors. The augmented model also suggests a complementarity with some HR practices, notably performance-related pay (see also Aumayr et al, 2011b), training provision and flexible working time. However, the possibility of reverse causation is very clear in respect of the latter two, since provision in either case may arise as a result of bargaining pressure. Workplace representation is more common in workplaces that have experienced HR innovation, as the theoretical framework suggested. Despite this, the association with team working is negative, perhaps because the communication needs of semi-autonomous teams are being met through forms of direct communication (most obviously team briefings).

The relationship between workplace representation and workplace performance is clearly complex. The theoretical framework proposed that unions, in particular, would seek out profitable firms and sectors, where they are more likely to find rents to share. However, any such rent-seeking behaviour clearly has the potential to reduce firm profitability.<sup>29</sup> In the augmented model discussed above, the negative association appears to dominate. These issues are examined in more depth later in this section, when the discussion returns to the role of competition.

<sup>29</sup> Another possible reason for a negative correlation is that works councils may be more likely to be established in companies that are restructuring to resolve financial difficulties.

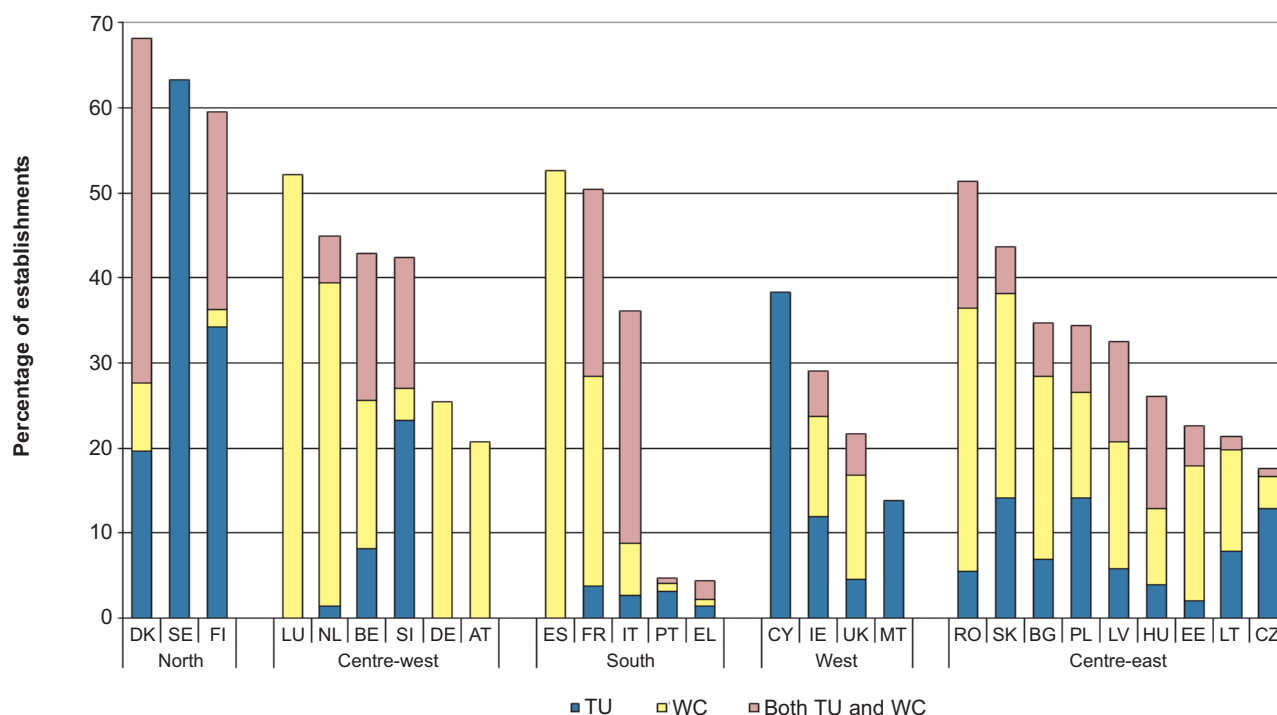


# Exploring cross-country differences

It was noted above (and is evident from the asterisks in Figure 2) that substantial differences exist between countries regarding the probability that a resident workplace will have either trade union or works council representation. The theoretical framework proposed some factors that may underlay these differences. In particular, there is the possible relevance of the industrial relations regime, the degree of centralisation of wage bargaining and the extent of legislative support for workplace representation. These issues can be investigated by utilising some of the external data items referred to earlier. In doing so, the analysis sample is restricted to the 27 EU Member States, as few of the external data items are available for Croatia, the former Yugoslav Republic of Macedonia or Turkey.

Figure 5 shows the proportion of workplaces with trade union or works council representation in each of the 27 EU Member States, with countries grouped into the five industrial relations regimes proposed by Visser (2009a); these estimates are otherwise identical to those shown in Figure 2. Clear differences exist between the regimes, with workplace representation being most prevalent (on average) among countries classified within the northern regime and least prevalent in countries classified within the category of western Europe. In order to discover if these findings persist after controlling for other factors, this classification was entered in place of the country dummies to the baseline regression discussed above (Model 2 in Table 8). Taking countries belonging to the West regime as the reference category, and controlling for all other factors in the baseline specification, some findings were reached. The probability that a workplace has trade union and/or works council representation was found to be 6 percentage points higher (on average) among countries belonging to the Centre-West grouping. It was 11% higher among those belonging to the Centre-East grouping, 20 points higher among those in the South grouping and 35 points higher in those belonging to the North grouping (see Model 1 in Table 10). However, as Figure 5 clearly shows, considerable variation exists within at least four of the five regimes. Indeed, the fit of this latest model (Pseudo-R<sup>2</sup> of 0.197) is lower than that of an otherwise equivalent model containing country dummies (Pseudo-R<sup>2</sup> 0.245). Understandably, regime membership provides only a partial insight into cross-country differences regarding the probability of workplace representation.

Figure 5: Incidence of workplace representation, by country within IR regime



Base: all workplaces with 10+ employees

Source: ECS 2009

Figures 6a and 6b go on to show how the percentage of workplaces with representation varies according to specific aspects of the IR regime within a country. For instance, in countries for which company-level bargaining is the dominant level, only 25% of workplaces have workplace representation. This compares with 43% in countries whose the dominant level of bargaining is sectoral. The categories to which each individual country has been assigned are shown in Annex 3.

The broad indication from Figures 6a and 6b is that workplace representation is more prevalent in countries where the dominant level of bargaining is above company-level; the model of workplace representation favours unions; there is legislative support for union presence; the employee threshold for triggering works council-type representation is lower; and public confidence in trade unions is higher. A series of regressions confirm that each of these associations remains after the classifications are entered into the baseline regression as a replacement for the country dummies. For instance, in countries where company-level bargaining is dominant, the probability that a workplace has representation is 10 percentage points higher (on average) among countries where bargaining is typically conducted at national level; this calculation involves controlling for all other factors in the baseline specification. The figure is 20 percentage points higher where bargaining is typically conducted at sectoral level and 9 percentage points higher where the dominant approach is to combine sectoral bargaining with company-level bargaining (although the latter difference is not statistically significant from zero).<sup>30</sup>

Naturally, these various institutional characteristics are somewhat interrelated. One is interested to discern the independent effects of each one after discounting the role played by all others. However, it is not practical to enter all of the full classifications simultaneously. This is because of the limited variation that is available in a sample comprising only 27 countries. Despite this limitation, a parsimonious specification that reduces each classification to a dummy variable finds that the following features each remain significantly associated with the prevalence of workplace representation: the dominant level of bargaining; the legal support for trade unions; and public confidence in trade unions (see Model 6 in Table 10 for the detailed results). This would appear to suggest that the institutional approach to trade unions may be particularly important in determining the overall incidence of workplace representation within a country. However, we make this conclusion only tentatively because of the difficulties, noted above, of identifying the independent effects of a number of country-level characteristics when there are only 27 observations.<sup>31</sup>

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<sup>30</sup> Marginal effects for the remaining indicators are presented in Models 3-5 in Table 10.

<sup>31</sup> The coefficients on the works council threshold variable, in particular, are heavily affected by the inclusion of variables indicating the dominant level of bargaining and the model of representation. These three variables are quite strongly correlated; hence the note of caution registered in the text.

Figure 6a: Dominant level of bargaining and model of workplace representation

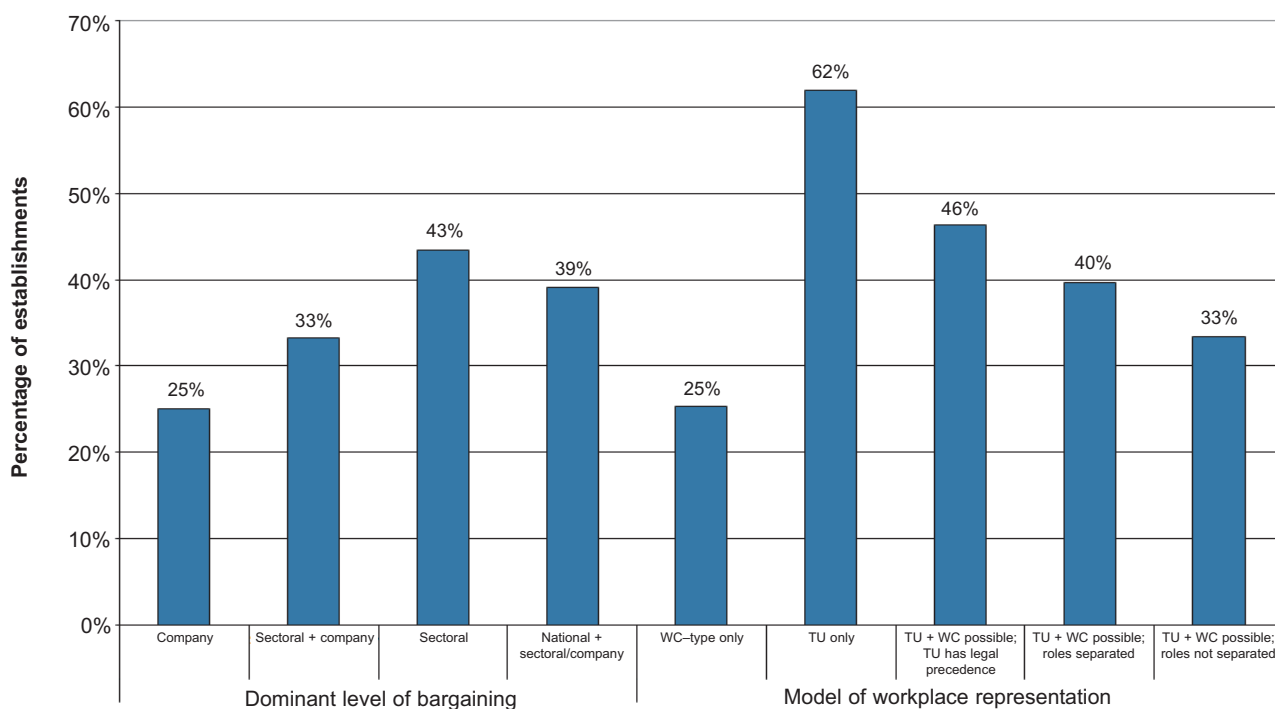
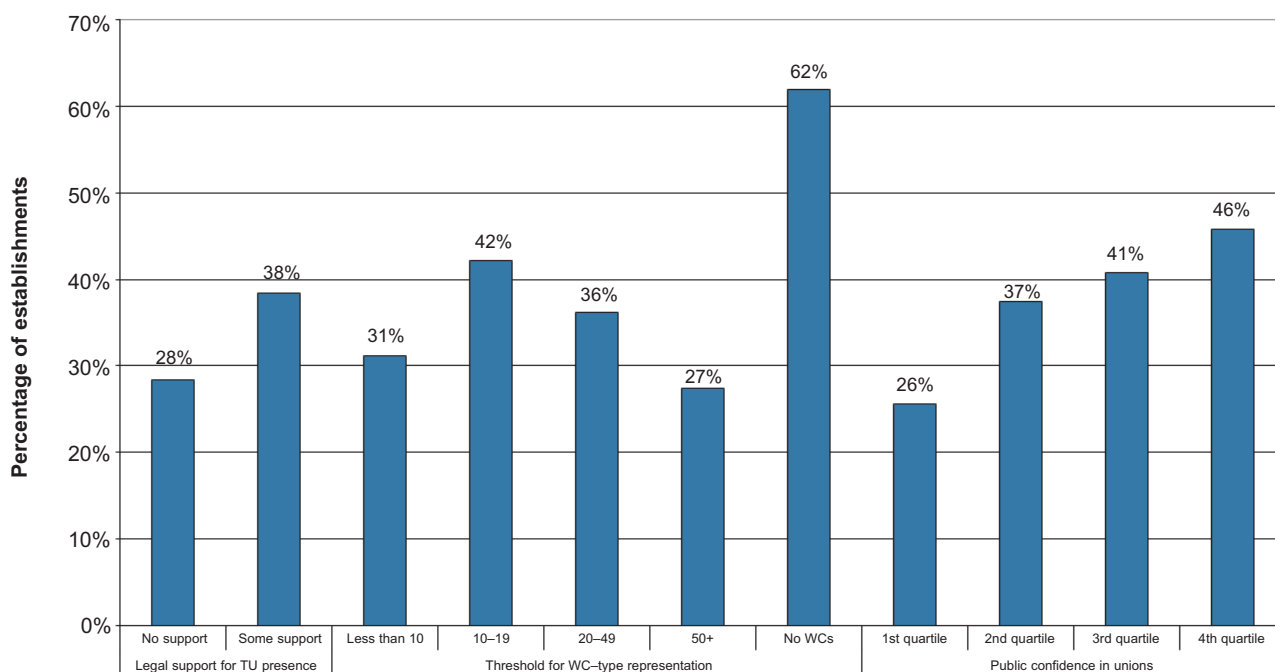


Figure 6b: Legislative provisions and public confidence in trade unions

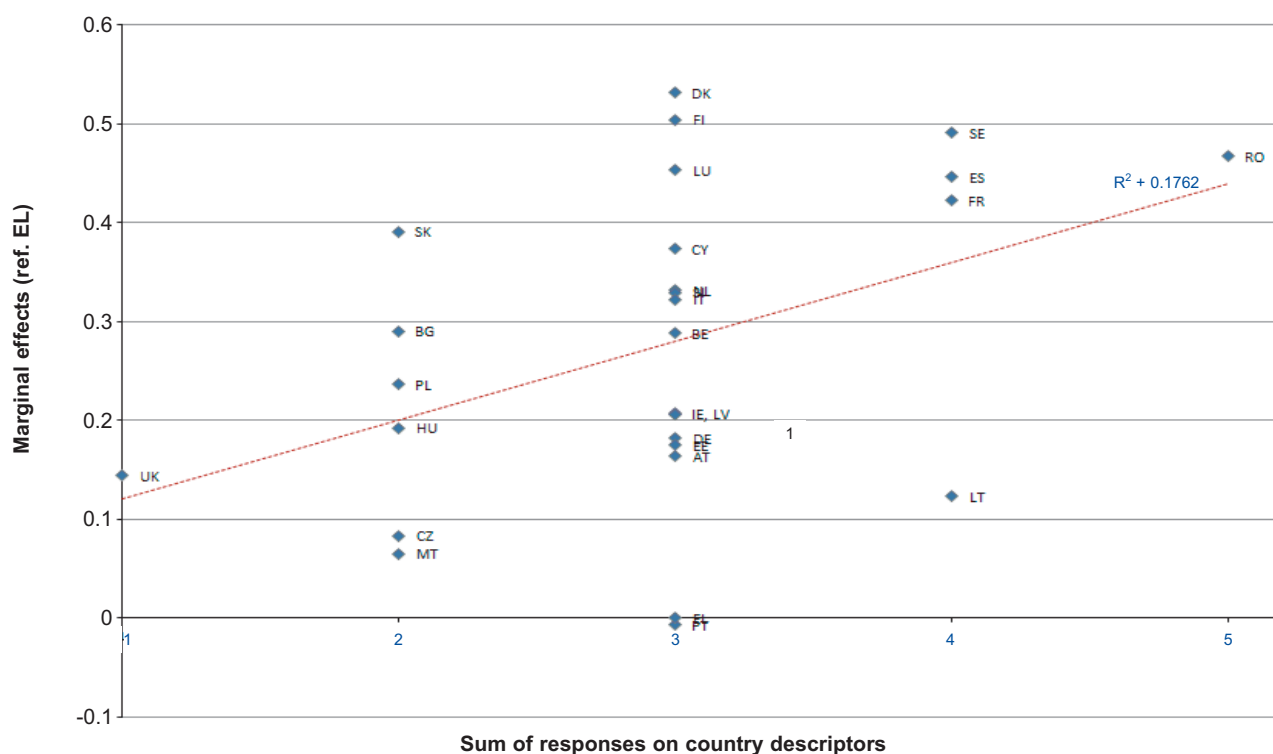


Base: all workplaces with 10+ employees (EU27 countries only)

Source: ECS 2009

The fit of this final model is slightly higher than that of the model that classifies countries according to industrial relations regime. This suggests that these descriptive variables are somewhat more informative than a five-way regime classification. They also have the advantage of identifying some of the specific components of the institutional setting that appear to be relevant in determining patterns of workplace representation. Cluster analysis was used in an attempt to identify groupings of countries based on their position on the five institutional variables. However, this analysis did not yield groupings that clearly discriminated between those countries with large and small marginal effects in the baseline regression (Model 2 of Table 8). Nevertheless, Figure 7 shows that those countries with large marginal effects in the baseline regression are typically those which score on four or five of the country descriptors just discussed. Those countries with small marginal effects are typically those which score on only one or two of these descriptors. The dashed line indicates a clear positive correlation between the two series. Again, this indicates that we have identified some of the key institutional determinants of workplace representation in Europe.

Figure 7: *Marginal effects from regression analysis, by sum of responses on country descriptors*



Base: all workplaces with 10+ employees (EU27 countries only)

Source: ECS 2009

### Whether any trade union or works council representation

Until now, the discussion has only considered the overall presence of any trade union or works council representation. One might expect the determinants of each of the two forms of representation to differ. Indeed, this was discussed explicitly in parts of the theoretical framework. To investigate this issue, the analysis now focuses on those 21 countries where both trade unions and works council bodies can be observed at workplace level.<sup>32</sup>

<sup>32</sup> Cyprus, Malta, former Yugoslav Republic of Macedonia, Turkey and Sweden are dropped because there is no opportunity to observe works council bodies at workplace level in these countries in ECS 2009. Austria, Germany, Spain and Luxembourg are dropped because there is no opportunity to observe trade union representation at workplace level. See Annex 1 for further details.

First, separate regression analyses were conducted of the probability that a workplace has (a) trade union representation and (b) works council representation. In each case, the presence of the other form of representation was controlled for, in order to account for their obvious co-incidence (see Figure 2).<sup>33</sup> The detailed results are shown respectively in Models 2 and 3 of Table 9. For comparative purposes, Model 1 shows the marginal effects from the baseline specification when estimated on this reduced sample of 21 countries. A variable indicating the country in which the workplace is located is included in the specification (as it was in the baseline specification). However, country differences are not the central concern here and so the estimated coefficients on this variable are not shown. The reference categories typically remain unchanged from the earlier analysis; for example, wholesale and retail continues to be the reference sector.

Most of the variables that appear in the baseline specification are associated, to a statistically significant extent, with the presence of trade union representation. The exception is the indicator of organisational change. Fewer variables are associated, again to a statistically significant extent, with the presence of works council representation. In particular, workforce characteristics are not associated with the presence of works council representation. This may relate to the lesser likelihood of such bodies having emerged through the mobilisation of workforce concerns.

These models have been estimated separately. However, it is preferable, from a statistical point of view, to explicitly account for the positive correlation between the presence of trade union and works council representation by estimating the two equations together. This is not possible under the logistic regression framework, which was used as the standard approach in this analysis. It is however possible if one employs a seemingly-unrelated bivariate probit estimator. This can account for any correlation between the residuals from the two models and can adjust the regression coefficients accordingly. The results are broadly in line with those arising from the separate regressions (see Models 4 and 5 of Table 9).<sup>34</sup> However, under this approach, it is apparent that organisational change is positively associated with the presence of works council representation, whilst it is not significantly associated with the presence of trade union representation.<sup>35</sup> The bivariate probit approach confirms that workforce composition is only associated with the presence of trade union representation.

### Role of competition

The theoretical framework proposes that the presence of workplace employee representation may be negatively related to the degree of competition in product markets. Put another way, this means that employee representative structures – particularly unionised ones – will be more likely in sectors where there are rents to share. There is no direct measure of product market competition in ECS 2009. However, as noted earlier, it is possible to investigate this issue by matching on a sectoral indicator of profitability (the price-cost margin) from the EU KLEMS database. This indicator is added to the baseline specification for the sub-sample of 25 countries where it is available, with the analysis being conducted solely among private sector workplaces.

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<sup>33</sup> An alternative would have been a multinomial specification in which ‘no trade union or works council representation’, ‘trade union only’, ‘works council only’ and ‘trade union and works council’ were treated as separate categories. However, we consider that the specification of two separate models (one for the presence of trade unions and another for the presence of works councils) allows for a more intuitive presentation of the underlying associations, than if the focus were to be on four separate states.

<sup>34</sup> The bivariate probit confirms the presence of a positive and statistically significant correlation between the residuals of the two equations, as one would expect. Since it is not straightforward to generate marginal effects from such a model, Table 9 shows only the sign and significance of each regressor.

<sup>35</sup> This could possibly reflect the influence of the information and consultation regulations.

A linear term is not significantly associated with the generalised indicator of the presence of workplace representation (see Table 11 for the detailed results). However, when the variable is divided into quartiles, it does appear that the relationship may be non-linear. Specifically, the presence of workplace representation is higher for workplaces in sectors that are outside the bottom quartile of the 325 country/sector combinations that are common to EU KLEMS and ECS 2009 (the coefficients on the second, third and fourth quartiles are jointly significant from zero).

Nevertheless, the hypotheses set out in the theoretical framework were concerned primarily with the rent-seeking activities of trade unions. If you run separate regressions for trade union representation and works council representation, after dropping countries with single-channel representation, sectoral profitability is found to be positively associated with the presence of trade unions. It is also found to be unrelated to the presence of works council representation. The same pattern of results is obtained via the bivariate probit route discussed earlier. Equally, the results remain unchanged after adding a control for own workplace performance. The general pattern of results is thus in line with our hypotheses.

### **Summary**

This analysis has examined a range of factors that may be associated with the presence of workplace employee representation and with the specific type of representation present in a given workplace. In summary, many of the propositions put forward in the theoretical framework have found some justification in the empirical analysis. A number of these, such as the relationship with workplace size or sector of ownership, were to be readily expected. This is either because of clear logic or because of the weight of existing evidence. Others, such as the positive associations with national or industry-level bargaining, and with the presence of more extensive legal support for representation (and equally the association between union representation and product market competition), have been less extensively investigated hitherto. The availability of multi-country survey data in ECS 2009 has provided an opportunity to test these propositions and, in doing so, to gain a better understanding of the characteristics of workplaces, industries and countries, which either encourage or discourage the establishment of workplace-based structures for employee representation. The analysis now moves on to consider the nature of that representation in workplaces where it is present.

## **Employer resourcing of employee representatives**

This section begins by looking at the extent to which employers provide resources to aid representatives in carrying out their duties. It then goes on to examine the nature of the relationship between employers and employee representatives before investigating the breadth and depth of social dialogue. This analysis draws on data from the subsample of workplaces providing employee representative interviews. It uses the new weights described in the previous section. The small numbers of employee representative interviews achieved in Cyprus, Estonia, Greece, Ireland, Malta, Portugal and Turkey, mean that caution must be exercised when examining the raw estimates for these countries or their coefficients in any models.

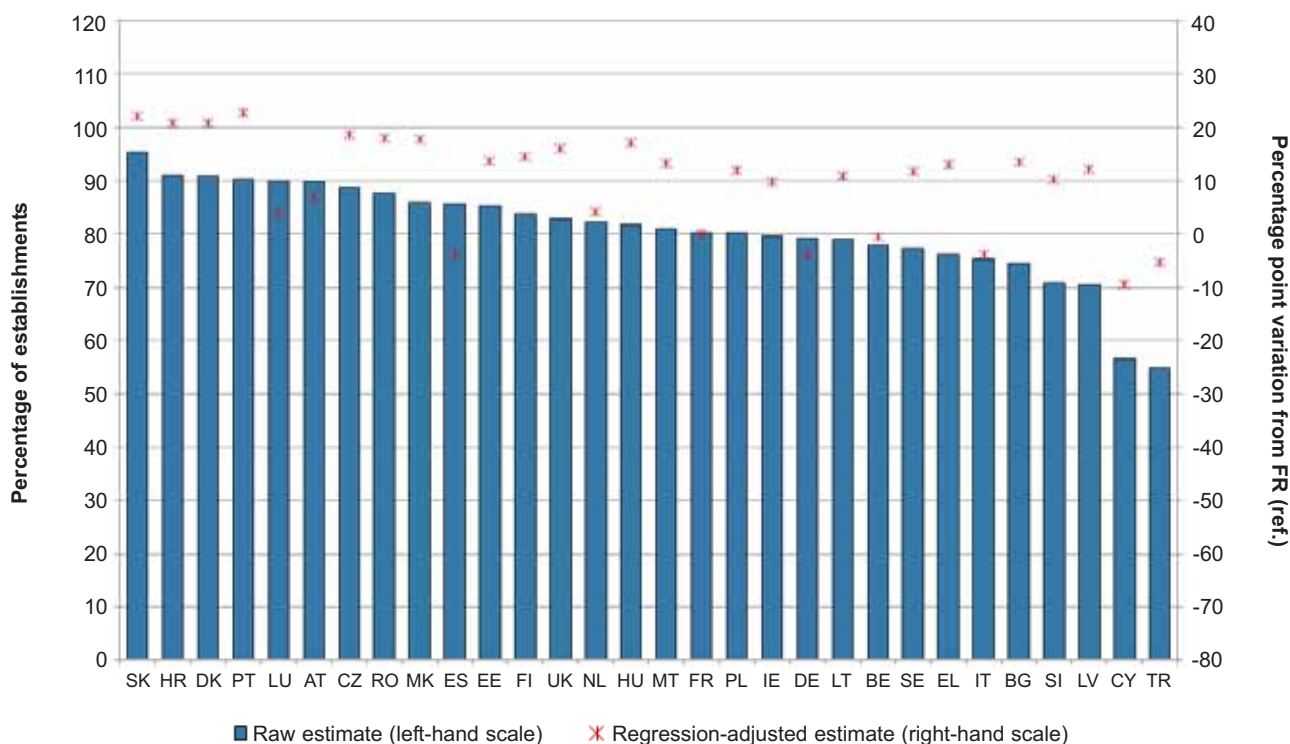
### **Paid time off for representative duties**

ECS 2009 asked each interviewed representative to state the number of paid hours to which they are entitled in order to carry out their social dialogue related duties. They were then asked whether this is ‘usually sufficient for fulfilling representative duties’. As it is not possible to say a priori what a reasonable number of paid hours might be, responses to the second question indicated whether the employee representative is adequately resourced by the employer in this regard.

Across the full sample of employee representatives, some 80% agreed that their employer provided them with sufficient paid time off work to carry out their duties. Again, however, there is a great deal of variation by country (as shown by

the bars in Figure 8).<sup>36</sup> The proportion reaches around 90% in countries such as Slovakia, Croatia and Denmark. It falls to around 50% in Cyprus and Turkey.

Figure 8: *Perceived sufficiency of paid leave for social dialogue related work, by country*



Base: all workplaces with 10+ employees and an eligible representative  
Source: ECS 2009

Another notable distinction occurs between trade union and works council representatives. Overall, 75% of trade union representatives agreed that they get sufficient paid time off for relevant duties, compared with 84% of works council representatives. As noted earlier, the share of trade union and works council representatives varies considerably between countries. However, these compositional differences do not explain the variation seen in Figure 8: the differential between trade union and works council representatives is seen within many countries where both are observed.

The question of whether a representative obtains sufficient paid time off may be viewed as a function of the demands placed upon them, their capabilities to respond to these demands and the amount of time provided. Account is taken of each of these dimensions in the regression modelling.

In respect of the demands placed upon representatives, ECS 2009 provides few direct indicators (such as the number of requests for assistance from workers). It provides some indicators of what the representative has done in practice, for example, their involvement in grievances or industrial action. Nonetheless, one would expect the extent of these activities to be determined partly by the amount of paid leave provided to the representative in question. Instead, indirect indicators of potential demands were used. Statistically significant associations are found with the size of the workplace;

<sup>36</sup> The asterisks on Figure 8 are explained later during the discussion of the regression analysis.



representatives in larger workplaces are less likely to consider that they have sufficient time off. Recent HR innovation also presents as a significant factor; it is negatively associated with the sufficiency of time off, perhaps because of representatives' need to engage in discussions about such innovations. Finally, a significant association was found with the size of the representative's constituency, the amount of time off being more likely to be sufficient for representatives with smaller constituencies. The detailed results are presented in Model 1 of Table 12.

Representatives in workplaces where there have been recent decreases in employment are more likely to feel that they have sufficient time off than those in workplaces where employment has been stable or increasing. This is counter-intuitive on one level, as one would expect decreasing employment to generate a need for discussions over redundancies. It may be that employers provide additional time off for representatives in such situations as a means of avoiding conflict. Nevertheless, each of the other associations listed above support the notion that sufficiency is partly a function of demand for the representative's services.<sup>37</sup>

Turning to capabilities, we find that representatives who regularly receive training for their role are more likely to consider that their amount of paid time off is sufficient. Further investigation indicates that this can be explained by the positive association between receipt of training and receipt of information (see next section).<sup>38</sup> Training is thus only indirectly associated with the likelihood of a representative feeling satisfied with their allocation of paid time off for social dialogue related purposes. The number of years of experience as a representative is not associated with sufficiency.

A range of other issues were raised in the theoretical framework. One was the potential importance of the employer's frame of reference. However an indicator of the workplace manager agreeing that they preferred to consult directly with employees was not significant in the regression and was dropped from the final specification. The sharing of resources among representatives by employers was another issue and this does find some support: representatives in workplaces with a single channel of representation are more likely to consider the amount of time off sufficient than those in workplaces with both forms of representation. Works council representatives are, nonetheless, more likely than union representatives to feel their time off is sufficient. The coercive power of representatives to extract resources from an employer was another issue raised in the theoretical framework. However, a general measure of employee support for representatives, namely whether or not the representative agrees that employees support the work they do, was not statistically significant.<sup>39</sup>

The analysis discussed above does not include a control for the actual number of hours of paid time off that each representative receives. One might expect some of the associations noted above to weaken or disappear once the amount of paid time off is explicitly accounted for; however, the impact is marginal (see Model 2 in Table 12).

Substantial differences remain apparent between countries after controlling for the factors discussed above. These regression-adjusted estimates show the percentage point deviation of each country from France, which was used as the reference point, after controlling for compositional differences. They are presented as asterisks in Figure 8 alongside the

<sup>37</sup> Indicators of recent takeover/merger and of below-average workplace performance were both not significant and dropped from the final specification, as was an indicator of the presence of an organisation/establishment-level wage agreement.

<sup>38</sup> Representatives who regularly receive information about the workplace from managers can be expected to have to spend less time pursuing such information, thereby freeing up time for other activities.

<sup>39</sup> This measure is preferred to a measure of union membership density as it is equally pertinent to trade union and works council representatives. It also arguably serves as a better measure of the mobilisation potential of unions in countries where membership density is low.



raw estimates. One possible explanation as to why cross-country differences remain after controlling for compositional factors is that variation occurs regarding national legislative frameworks for employee representation. We used information from Fulton (2010) to compile an indicator of whether or not representatives had a legal entitlement in their country to receive paid time off from their employer. When the indicator was entered into the model in place of the country identifiers, representatives in countries with legal entitlements were, on average, 15 percentage points more likely than representatives in countries with no legal entitlements to say that their time off was sufficient (see Model 3 in Table 12). The difference was 12 percentage points after controlling for the number of hours which each representative received (Model 4 in Table 12). The explanatory power of these models is not high, but there is some evidence here that the legislative framework for time off is a relevant factor in determining the sufficiency of the amount of paid time off allowed by employers. Any such effect is seemingly not explained by legislation encouraging employers to provide greater numbers of hours of paid time off, since this is controlled for in the final model. One possibility is that a right to paid time off may better enable representatives to protect any facility time that is provided by the employer from being encroached upon by other duties. In other words, it may help them to manage the level of competing demands. Unfortunately, we cannot test this hypothesis in ECS 2009.

### Information provision to employee representatives

The provision of information by employers to employee representatives is the other aspect of employer resourcing considered in the theoretical framework. ECS 2009 includes measures of the type of information provided, whether regarding the economic situation of the workplace, the employment situation or the number of overtime hours. It also provides measures on the regularity with which any such information is provided, whether it is confidential, whether it is provided in a timely manner and unrequested and whether it is sufficiently detailed. These data are all provided by the employee representative respondent. This section focuses on the provision of economic and employment information. Key features of this information, in terms of its usefulness to a representative, include its frequency of delivery and the level of detail provided.

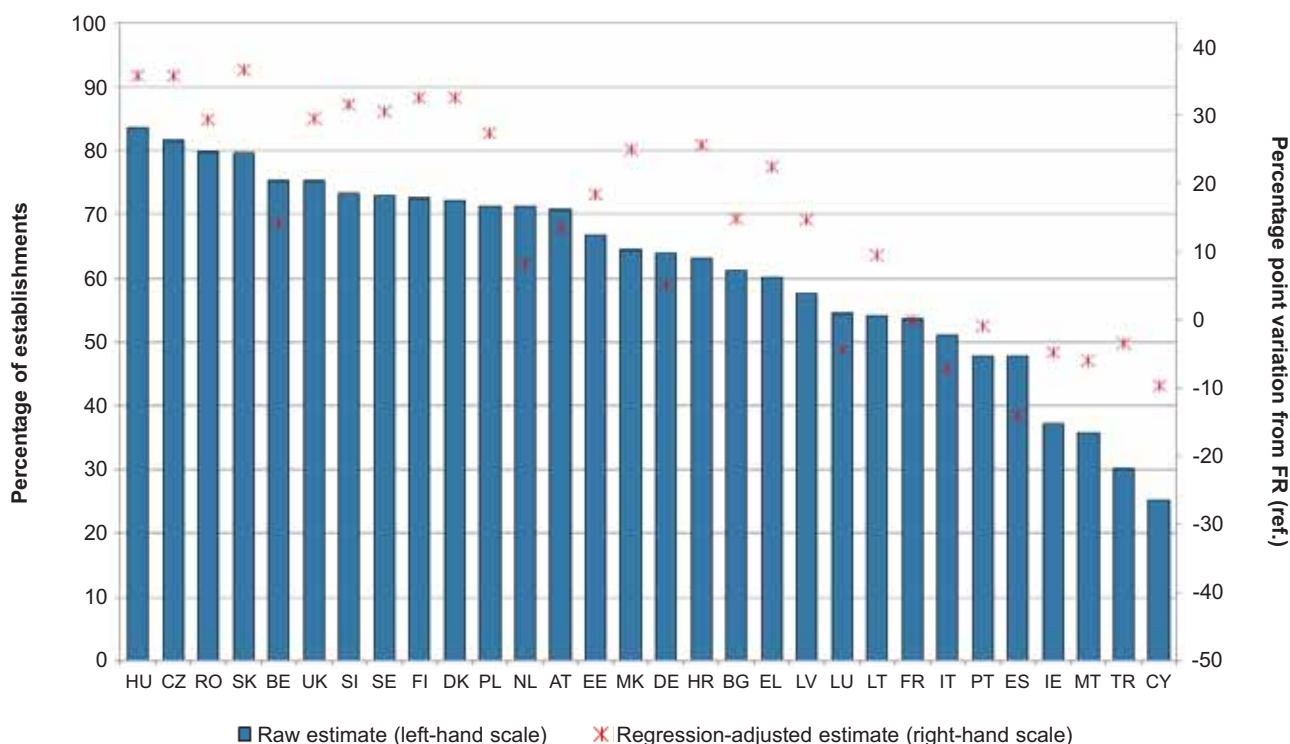
Some 84% of representatives are provided with information on the economic situation of the workplace at least once a year. An equivalent 84% receive information on the employment situation at least once a year. Overall, 77% receive both at least once a year. This percentage is relatively high (above 85%) in countries such as Belgium, the Czech Republic and Denmark. It is relatively low (below 60%) in countries such as Ireland, Italy and Portugal. Among the subset of representatives who receive economic and employment information at least once a year, 81% consider that it is normally sufficiently detailed. This proportion is typically higher in countries such as the Czech Republic, where provision is more common.

A combined measure was created to indicate that a representative receives both economic and employment information at least once a year and that this information is normally sufficiently detailed. The variation across countries in the prevalence of such information provision is indicated in the bars of Figure 9 and is substantial.<sup>40</sup> On average, 62% of representatives receive such information; no difference was found here in the raw data for trade union and works council representatives.

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<sup>40</sup> The asterisks in the Figure are again explained later.

Figure 9: Whether detailed economic and employment information provided at least once a year, by country



Base: all workplaces with 10+ employees and an eligible representative

Source: ECS 2009

The theoretical framework proposed that one might expect a positive association between information provision and workplace size. This was because of the opportunity presented to large workplaces to reduce transaction costs by circulating information through representatives rather than directly to employees. It also proposed that private sector workplaces may be more predisposed to sharing information with representatives if they are required to share it with other interested parties, such as shareholders. Finally, it discussed the potential influence of coercive power and legitimacy power. These hypotheses were tested in the regression analysis.

Workplace size was not found to have a clear association with the provision of information; provision was most common in medium-sized workplaces rather than large ones (see Model 1 in Table 13 for the detailed results). Furthermore, information provision was found to be more likely in single independent establishments than in multi-site organisations. This suggests that transaction costs are not a key determinant. A more important issue may be the ease of access to information and the extent of managerial control. For instance, one may expect workplace managers in multi-site firms to have a lesser degree of access to meaningful information about the workplace than managers in single independent workplaces. They might also be expected to have less discretion over whether any such information is shared. Put another way, while the benefits to information provision via a representative might rise with organisational complexity, so too do the costs of gathering that information. The latter could serve as a binding constraint on employers.

The size of the representative's constituency was not related to the likelihood of information provision. Composition, however, was relevant, with provision being more likely in workplaces with a high share of skilled workers. This may reflect a greater demand for information among such employees.

No significant association was found between the provision of information and sector of ownership. Equally, whilst one might expect information provision to be more common in workplaces with local bargaining, the positive association observed in the data was just outside statistical significance at the 10% level.

The capabilities of representatives were found to be important. The provision of information was more common if representatives had received regular training. It was also more common in workplaces where representatives agreed that employees were supportive of their role.

As in the previous section, substantial differences remain apparent between countries after controlling for the factors discussed above; these are presented alongside the raw estimates in Figure 9. It seems plausible that the cross-country differences shown by the asterisks in Figure 9 may reflect differences in the degree of legislative support for information provision. Legislation is more likely to be in place to govern information provision to works council representatives than trade union ones. Indeed, in the regression analysis discussed above, works council representatives were found to be more likely to report information receipt than trade union representatives. To explore the salience of legislation further, we restrict the sample to works council representatives. We also replaced the country dummies with the indicator (outlined in the previous section) of the employee size threshold for triggering works council-type representation. This may be taken as a proxy for the likelihood that the works council representative is operating within a framework of statutory rights that govern (among other things) the type of information that the employer is required to provide. One might expect information provision to be more common in countries with a low threshold than in countries where it is high. However, the reverse is true. Works council representatives in countries where the trigger requires 20 or more employees to be present in the undertaking were around 25% more likely, on average, to report receipt of detailed economic and employment information than representatives in countries where the trigger requires fewer than 20 employees (Model 2 in Table 13). It could be that rights to information are more rigorously pursued or enforced in countries with a higher threshold. Another possibility is that the practice of information sharing is more common in these countries in the absence of any legislative pressure, so that it has not been deemed necessary or appropriate to extend the trigger to small undertakings; legislation is, in this sense, somewhat endogenous. However, it would require further detailed investigation to validate either of these hypotheses.

### The nature of the relationship between employers and employee representatives

The second relevant dimension of employee representation is the nature of the relationship between managers and employee representatives. This is a two-sided concept. One might prefer, as an ideal situation, to have questions asked of both the manager and employee representative, which seek to establish each party's perceptions about the other in an equivalent way.<sup>41</sup> In the absence of such mirror questions in ECS 2009, we make use of two questions, one from the management interview and the other from the employee representative interview. Together, they give some insight into the nature of this relationship.

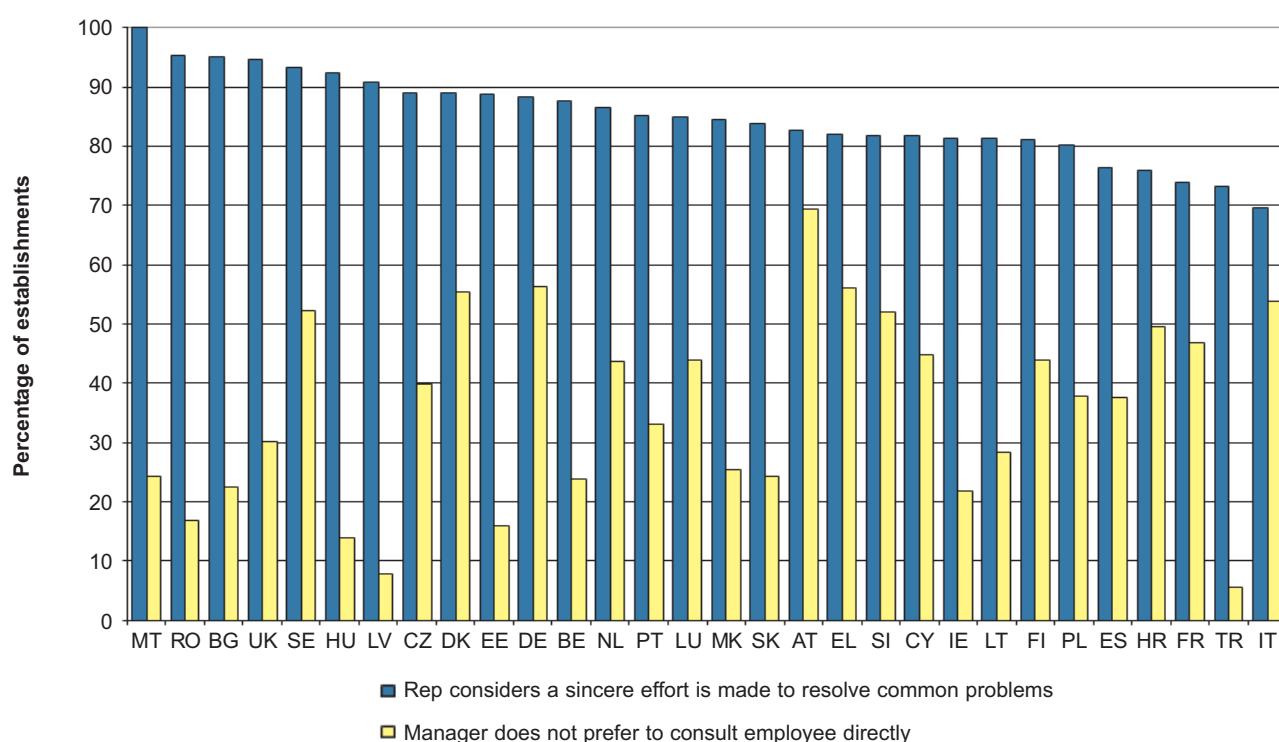
Representatives were asked if they agreed or disagreed with the view that managers and representatives make sincere efforts to resolve common problems. Overall, 83% of representatives agreed with this statement. Managers were asked if they would prefer to consult directly with employees. Overall, 41% of managers in workplaces that generated an interview with an employee representative did not positively agree with this statement. In other words, they disagreed with it or chose the neutral category of 'neither agree nor disagree'. The variation across countries in these opinions is shown in Figure 10.

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<sup>41</sup> See Kersley et al (2006: 171-5) for an example of such an analysis using mirror questions in the management and employee representative interviews within the British Workplace Employment Relations Survey.

Two measures were combined to form a single indicator which captures a view from both sides of the relationship. Overall, around one third (34%) of employee representatives felt that managers and representatives of their workplace made sincere efforts to resolve common problems and the manager did not state a preference to consult directly with employees (see the bars in Figure 11). Only 11% of representatives worked in establishments where neither condition was true, suggesting that, in many workplaces, conflicting views occur between managers and employees. Specifically, many representatives (48%) considered that managers and representatives made sincere efforts to resolve common problems but found themselves engaging with managers who would prefer to avoid them. The remaining 7% of representatives worked in establishments where managers did not state a preference to avoid representatives, but where the representatives did not consider that any engagement represented a sincere attempt at problem resolution.

Figure 10: *Characteristics of relationship between managers and representatives, by country*

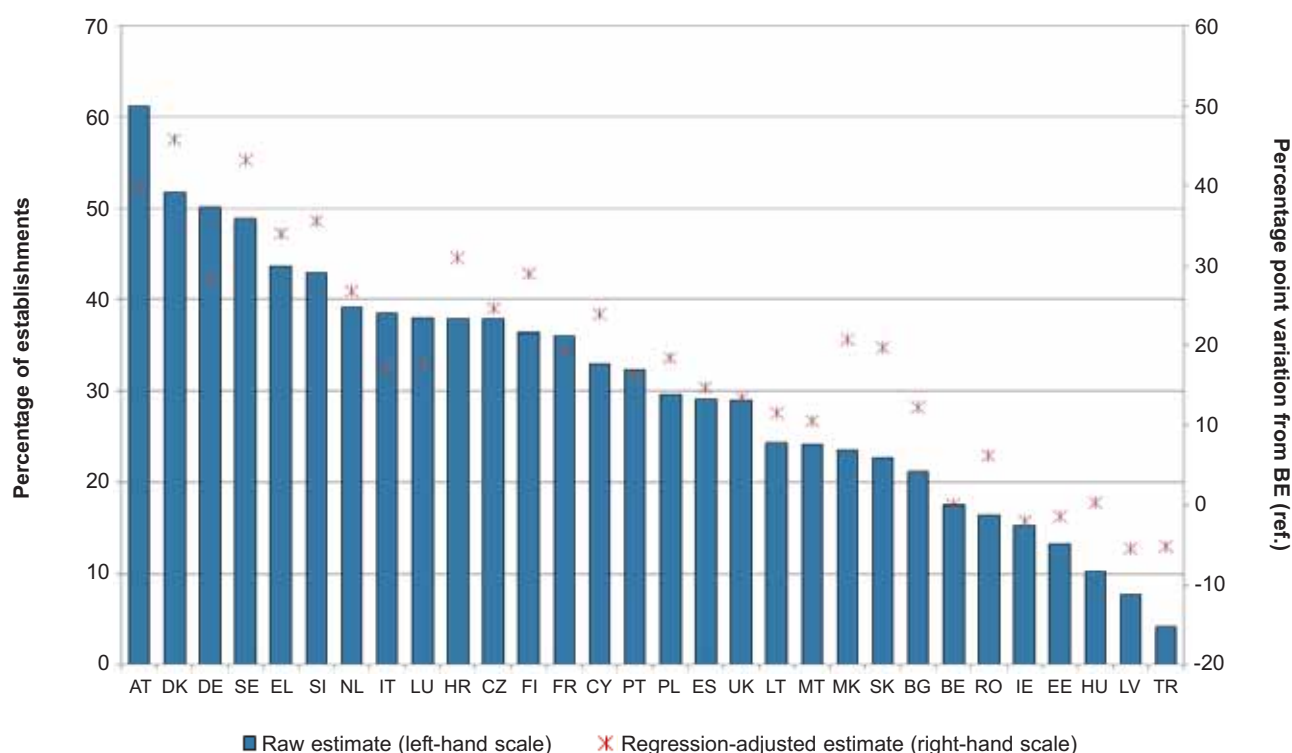


Base: all workplaces with 10+ employees and an eligible representative

Source: ECS 2009

<sup>42</sup> The asterisks are explained later.

Figure 11: Combined indicator of character of relationship between managers and representatives, by country



Base: all workplaces with 10+ employees and an eligible representative

Source: ECS 2009

The role of legitimacy power is prominent in the theoretical discussion concerning the character of the management-representative relationship. In particular, there is an expectation that representatives may have greater legitimacy (and thus a more constructive relationship) in cases where the representative is better able to represent the diversity of their constituents' opinions and in cases where the representative has greater experience. In regression analysis, size of workplace is found to be positively associated with the probability of a constructive relationship. However, after controlling for size of workplace, the size of the representative's constituency is found to have a negative relationship (see Model 1 in Table 14). This indicates that it may be easier for representatives to adequately represent smaller constituencies, where the diversity of opinion may be less extensive. Indicators of the skill and gender composition of workforce were non-significant, however, as were indicators of representative's receipt of training and years of experience.

Works council representatives are more likely to have a constructive relationship with managers than with trade union representatives. This may reflect unions' greater likelihood of involvement in wage bargaining, restrictions in some countries on works councils' ability to initiate industrial action, or managerial preferences for particular types of representation.

Certain HR practices may indicate a healthy psychological contract between managers and employees, such as share ownership and training provision. They are positively associated with the character of the manager-representative relationship, although only the association with periodic checks on training needs is statistically significant.<sup>43</sup>

<sup>43</sup> Share ownership and the provision of off-the-job training are close to statistical significance at the 10% level, however, having p values of 0.14 and 0.11 respectively. Indicators of profit-sharing and flexible working were not close to statistical significance and were dropped from the final specification.

Relationships are less likely to be constructive in workplaces that have recently undergone a takeover or merger, which could serve as an indicator that the relationship has recently been ‘tested’ in a substantive manner.

To further explore the issue of legitimacy, country identifiers were replaced with indicators of legislative support in each country for the specific type of representative. The hypothesis was that legislative support confers legitimacy and that this may raise the likelihood of a constructive relationship. One regression model was estimated on the sample of trade union representatives and another was estimated on the sample of works council representatives (Models 2 and 3 respectively in Table 14). The indicator of legislative support for trade unions is actually negative in the first of these, but is not statistically significant from zero. Among works council representatives, however, the relationship with managers appears to be better in countries where the threshold triggering works council representation is lower. In other words, a better relationship tended to occur in countries where the works council representative is more likely to have statutory backing. In the case of works council representatives, therefore, evidence suggests that legislative support is positively associated with more constructive engagement, although one of these models has a relatively low degree of explanatory power. If one compares across the various models reported thus far, it has (unsurprisingly) proven easier to explain the incidence of structures than to explain the internal workings of the management-representative relationship.

## **The breadth and depth of social dialogue**

The breadth and depth of influence was argued in the theoretical framework to be a further component of meaningful social dialogue. This is because it provides an indicator of the extent to which employees have the opportunity to engage in – and shape the outcomes of – joint discussions about the terms of the employment relationship.

The employee representative interview provides indicators of the depth of representatives’ influence on management decisions across nine areas of employment practice. These include the determination of pay, changes in the organisation of work and equal opportunities. Each question has a four-point scale: very weak; quite weak; quite strong; very strong. A summary variable was created by giving each category a numeric value from 1 (very weak) to 4 (very strong), and then computing the average score across each of these nine questions.<sup>44</sup> There are a number of other ways in which one might create a summary measure from these items (for example, by counting the number of items on which the representative’s influence is perceived to be ‘quite strong’ or ‘very strong’). The approach used here has the notable advantage of providing a normally-distributed variable which can be analysed using the method of ordinary least squares.<sup>45</sup>

The bars in Figure 12 show the variation in mean influence scores across countries. Relatively high mean scores are found in Romania (2.9), Germany (2.7), Denmark (2.7), and Hungary (2.6), whilst relatively low scores are found in the candidate countries of Croatia, the former Yugoslav Republic of Macedonia and Turkey (all 2.1). Overall, no difference emerged between the mean scores of trade union and works council representatives (both 2.5 on average), although differences are apparent within some individual countries.

The indicator used here is similar to that employed by Van Gyes (2010). However, he ignores the items relating to pay determination and grievances in order to develop a scale of ‘strategic influence’ which focuses on organisational restructuring and operational issues such as working time. We prefer an inclusive measure. The ordering of countries on the two measures is, nevertheless, quite similar.

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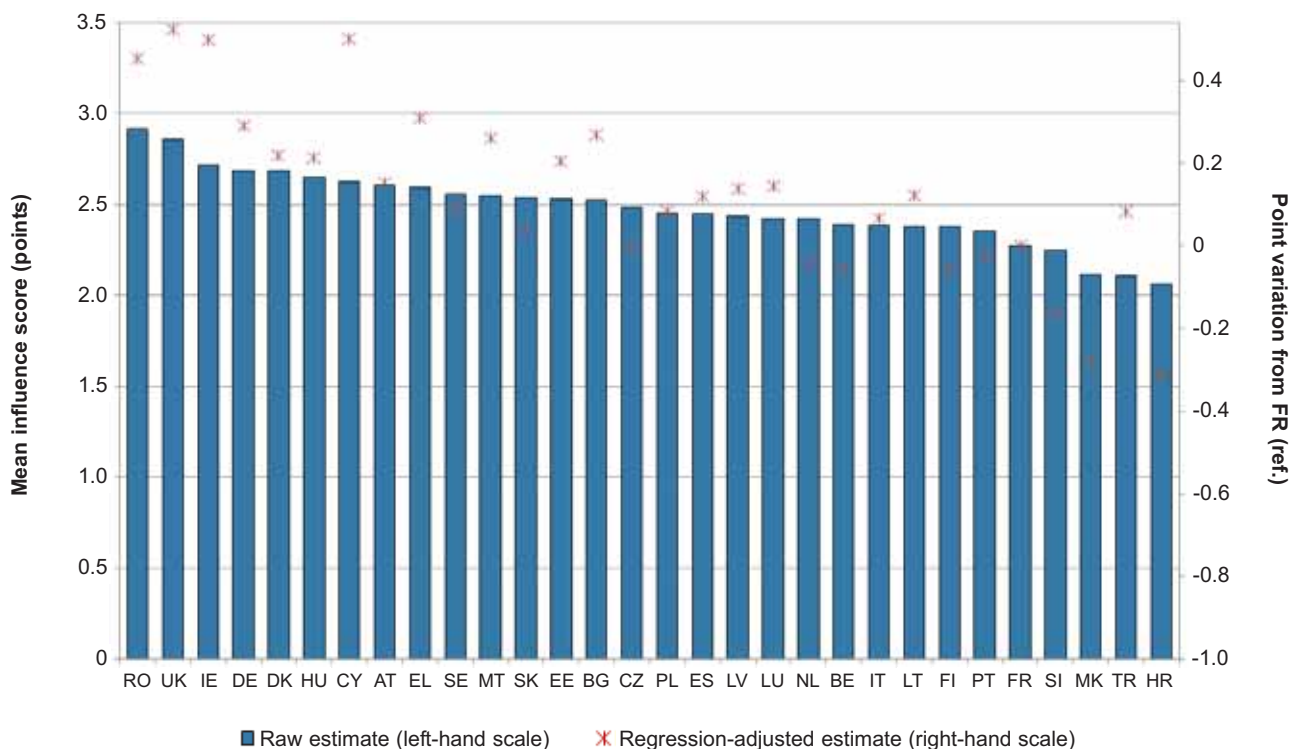
<sup>44</sup> The average is computed only in cases where an individual respondent has answered at least six of the nine questions, however.

<sup>45</sup> An ordinal count variable of the type just discussed would present difficulties in the efficient presentation of any marginal effects.



It is appropriate to sound one note of caution, particularly over the interpretation of any between-country differences. It is possible that employee representatives' expectations over the amount of influence they could expect to have may colour their perception of the relative strength of weakness of that influence. Such expectations are likely to differ by country. For this reason, any between-country differentials that are observed in the data may partly be explained by such effects, if they are present. This suggests that some caution is needed when interpreting the significance of the patterns shown in Figure 12 as well as the country coefficients in the regression analysis discussed below.

Figure 12: Mean influence score, by country



Base: all workplaces with 10+ employees and an eligible representative  
Source: ECS 2009

The degree of influence reported by representatives is found to vary by industry sector, after controlling for a range of other characteristics (see Table 15 for the detailed results). However, a number of 'structural' characteristics of the workplace, such as size, whether it is part of a multi-site organisation and sector of ownership, are not found to be associated with influence to a statistically significant extent. The type of workforce is relevant, however, with influence being greater for representatives in male-dominated workplaces and less in workplaces with a high share of skilled workers. Influence is greater in workplaces with a local wage agreement than in workplaces without any wage agreement. This is to be expected, as pay determination is one component of the influence measure.

The theoretical framework suggested that associations would emerge between the degree of competence of representatives, the extent of their access to resources and the nature of their relationship with managers. Each of these propositions was confirmed in some way. Specifically, influence is greater among: representatives who receive regular training (competence); representatives who have the support of their constituents, receive sufficient paid time off and receive regular, detailed information (resources); and representatives who have a constructive relationship with managers in the workplace. After controlling for these various factors, the type of representative is not independently associated with the degree of influence, as was the case in the raw data.

Product market competition is another factor mentioned in the theoretical framework. However, in models that focused on the subsample of private sector workplaces, neither of the two measures of the price-cost margin had a statistically significant association with the degree of influence reported by representatives, after controlling for other factors.

Turning to differences between countries (see asterisks on Figure 12), it appears that the UK, Ireland, Cyprus and Malta (each classified as liberal market economies within the West regime in Visser's classification) are among those countries where representatives report the highest degrees of influence. They are also among those countries where the prevalence of employee representation is relatively low (see Figure 5 and Table 10). This could suggest a selection effect, whereby representatives are more likely to establish a presence in workplaces where they have sufficient power to wield considerable influence (or are given sufficient freedom to do so by the employer). In such countries, representation is perhaps unlikely to become established in workplaces where its subsequent influence would be weak, or is unlikely to survive. When the country dummies are replaced with indicators of the degree of legislative support for trade unions and works council representation, one finds that the degree of representatives' perceived influence is 10 percentage points higher for union representatives in countries with legislative support for union presence. It is 14 percentage points higher for works council representatives in countries where the threshold for triggering their representation is below 20 employees. This would suggest that legislative support may enable representatives to be more influential. However, some caution was urged at the outset as to the possibility that any country-level effects may be driven in part by differing expectations. For this reason, any interpretation of the between-country variation must only be tentative.

The theorised association with the dominant level of collective bargaining does find empirical support in the regression analysis. All other things being equal, workplace representatives have a greater degree of influence in decentralized systems where there is some role for company-level bargaining (see Model 2 in Table 15).

Finally, returning to the characteristics of representatives, we have noted above that each of the dimensions of social dialogue that have been examined in previous sections are found to be supportive of greater levels of influence on the part of representatives. Accordingly, if one wishes to characterise meaningful social dialogue in terms of the extent to which employee representatives have a substantive role in workplace decision making, then it would appear that this analysis has identified some of the components which contribute to this outcome. These include the provision of paid time off, the provision of information and the character of the management-representative relationship. This analysis has also identified some factors that are associated with the greater likelihood that these components are in place.

There are some caveats. For instance, it is not possible to control for the influence of direct communication due to absence of measures in the survey data. One must also acknowledge that the influence scores are subjective. It is also not possible to make definitive statements about causality. For this reason, it is not possible to argue, for example, on the basis of these results, that if representatives have access to regular training, then managers will be more likely to supply them with regular, detailed information, and that this in turn will make the representatives more influential. It is possible that other unobserved factors – such as their ability to mobilise workers and exert coercive power – enable representatives to wield influence in workplace decision-making, and that this enables them to extract resources from managers (such as training funds and information). This might also force managers to engage constructively with them, in the absence of other options.

What we can say, however, is that the dimensions of social dialogue, which have been examined in this section, are positively associated with one another. They are also associated in substantive ways with certain observable features of workplaces, sectors and national institutional settings. Moreover, many of these associations can be understood through reference to the theoretical framework outlined earlier. To that extent, the analysis presented here provides the basis for a better understanding of workplace social dialogue in Europe.





# Behavioural outcomes associated with social dialogue 6

The process of social dialogue may result in a range of outcomes, including higher wages and greater levels of job security for employees. Such results may, or may not, imply higher unit labour costs for employers, depending upon the associated impact on the productivity of workers. It is difficult to assess these associations with the data available in ECS 2009. The survey provides a subjective measure of workplace performance that could potentially form one dependent variable in any such analysis. However, doubts exist about the ability of HR managers to provide informed opinions about the financial performance of their workplace. We would prefer to be able to corroborate any results obtained from a subjective measure such as this with results based on an objective measure of workplace performance. This is not possible.<sup>46</sup>

Instead, the associations between workplace social dialogue and some intermediate behavioural outcomes are examined, namely: the climate of employment relations at the workplace; levels of staff motivation; and the ease of staff retention. As noted earlier, the climate of employment relations is not expected to appear stronger in workplaces with trade union or works council representation. This is because the process of social dialogue may often bring disharmony to the surface as the two sides seek to find mutually acceptable solutions to workplace issues. However, the theory does suggest that effective social dialogue would aid employment relationships in the long run, by increasing staff motivation and reducing quits rates.

The regression models employ a set of three binary outcome indicators. The first identifies workplaces in which the manager reports that the climate is ‘quite strained’ or ‘very strained’. The second identifies workplaces in which the manager reports that there is a problem with high levels of absenteeism. The third indicator identifies workplaces in which the manager reports that there are difficulties in retaining staff. The control variables used in the regression models are the full set used in Model 3 of Table 2. This set of control variables is not sufficient to explain a large share of the variance in any of the outcome measures; climate, staff motivation and staff retention have complex determinants, only some of which are identified in ECS 2009. Nonetheless, the available control variables do behave broadly as one would expect in each regression. For example, workplaces in a ‘very/quite good’ economic situation are less likely than those in a ‘neither good nor bad’ economic situation to have each of the three negative behavioural outcomes. Those in a ‘very/quite bad’ economic situation are more likely to have each of these outcomes. For reasons of brevity, the coefficients of these control variables are not shown.

Table 2 presents the marginal effects associated with the simple presence of any trade union or works council representation, when compared with the absence of such representation. In accordance with expectations, the presence of representation is associated with a greater likelihood that the workplace will have a strained climate. There is no association with the probability of having low staff motivation, however. The association with the probability of staff retention problems, although negative as predicted in the theoretical framework, is not statistically significant from zero (p value = 0.110).

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<sup>46</sup> It is possible in the British Workplace Employment Relations Survey (see Forth and McNabb, 2008). However, the collection of objective data is more difficult in a telephone survey such as ECS 2009.

Table 2: Association between presence of trade union and works council representation and behavioural outcomes

	[1]		[2]		[3]	
	Strained climate		Low motivation		Staff retention problems	
	MEff	Sig.	MEff	Sig.	MEff	Sig.
Any TU/WC representation: Yes	0.048	***	0.004		-0.013	
Pseudo-R2	0.177		0.094		0.068	
Obs	23727		23335		23712	

All models employ control variables in Model 3 of Table 2.  
\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

Base: all workplaces with 10+ employees  
Source: ECS 2009

Table 3 goes on to present the results of separate models in which the simple indicator of representation is replaced with a categorical indicator of the type of representation. When compared with workplaces that have no trade union or works council representation, those workplaces with both forms of representation (dual channel representation) are 3 percentage points more likely to have a strained climate. However, they are 4 percentage points less likely to report problems with staff retention.

Table 3: Association between type of representation and behavioural outcomes

	[1]		[2]		[3]	
	Strained climate		Low motivation		Staff retention problems	
	MEff	Sig.	MEff	Sig.	MEff	Sig.
Any TU/WC representation: No	Ref.		Ref.		Ref.	
TU only	0.018		0.010		-0.002	
WC only	0.011		0.012		-0.020	
TU and WC	0.031	**	0.020		-0.038	***
Pseudo-R2	0.180		0.066		0.075	
Obs	16278		15952		16244	

All models employ control variables in Model 3 of Table 2.  
\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

Base: all workplaces with 10+ employees  
Source: ECS 2009

A final stage of analysis involved incorporating indicators of the nature of representation into the model, restricting the sample to those workplaces where a representative has been interviewed.

This enabled an examination of the relationships between the characteristics of an interviewed representative and the likelihood that the management respondent in their workplace has reported problems of a strained climate, low motivation or difficulties with staff retention. In instances where the workplace had more than one representative body, the responses of the interviewed representative was taken as the best available indicator of the situation pertaining across all representative bodies. This is a necessary simplification. However, it seems reasonable because, if more than one trade union body is present, ECS 2009 seeks to interview the union representative from the largest union present (or the chairperson of the joint union committee if they act in concert). If more than one works council body is present, ECS

2009 seeks to interview the spokesperson of the forum representing the largest group of employees. If trade union and works council bodies are both present, ECS 2009 seeks to interview a representative from the channel that is usually dominant in that country (typically the trade union, see Table 5 in Annex 1).

This analysis involved controlling for other characteristics of the representative, specifically: the receipt of regular training; their years of experience as a representative; the degree of employee support for the representative; and whether the respondent is a trade union or works council representative. The results of the analysis are presented in Table 4.

In Model 1 of Table 4 it is apparent that, among workplaces with trade union or works council representation, a strained climate is more common if the interviewed representative has sufficient time off to carry out their duties. It is less likely (as one might expect) if the manager and the representative have a constructive relationship. The provision of regular and detailed information and the depth of the representatives' influence are not associated with climate. An indicator that identifies representatives who report sufficient time off, the receipt of regular and detailed information, the existence of a constructive relationship with managers and an above-average level of influence is entered as a one means of investigating the salience of the ideas put forward earlier regarding meaningful social dialogue. The coefficient is positive but not statistically significant from zero.

In Model 2 of Table 4, the existence of a constructive relationship between managers and representatives is negatively associated with low staff motivation (in other words, it is positively associated with levels of motivation). In Model 3, the provision of regular and detailed information is negatively associated with difficulties in retaining staff (in other words, it is positively associated with longer employment relationships). Some aspects of the notion of meaningful social dialogue are thus apparent although, again, the joint indicator is not statistically significant from zero.

Table 4: *Association between characteristics of representation and behavioural outcomes*

	[1]		[2]		[3]	
	Strained climate		Low motivation		Staff retention problems	
	MEff	Sig.	MEff	Sig.	MEff	Sig.
Sufficient paid time off: Yes	0.038	*	0.015		0.015	
Regular and detailed information: Yes	-0.018		0.000		-0.035	*
Constructive relationship: Yes	-0.036	*	-0.041	*	0.011	
Influence score	-0.021		0.007		0.006	
Time off, information, constructive relationship and above-average influence	0.017		0.023		0.029	
Pseudo-R2	0.221		0.144		0.153	
Obs	5745		5645		5619	

All models employ control variables in Model 3 of Table 2.

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

Base: all workplaces with 10+ employees and an eligible representative

Source: ECS 2009

These analyses provide some evidence to support the theoretical propositions that, whilst the overall climate of employment relations may suffer in the presence of workplace social dialogue, forms of employee representation, by providing voice for workers, can encourage employees to tackle the problems they face at work, rather than quitting in the face of dissatisfaction. This provides employees and employers with opportunities for more stable employment. The

evidence is somewhat tentative, given that consistent associations with all forms of representation cannot be found. The direction of causality also cannot be proven with the available data. However, the findings are broadly in line with evidence that has been separately produced on the effects of trade unions in Britain using similar survey data (Bryson and Forth, 2010).

# Summary and conclusions

The empirical analysis finds that there is extensive variation both between and within countries in the extent and nature of workplace social dialogue. Nevertheless, it has been possible to identify a wide range of characteristics of countries, sectors and workplaces that help to explain this variation. Indeed, many of the propositions put forward in the theoretical framework to explain the presence or absence of workplace-level structures for employee representation, and to explain the nature of workplace representation where it is present, find some justification in the empirical analysis. Some of these, such as the relationship between the presence of workplace representation and workplace size or sector of ownership, were to be readily expected from the weight of existing evidence. Others, such as the positive association with dominant modes of bargaining or the prevailing legislative framework (and equally the association between union representation and product market competition), have been less extensively demonstrated hitherto.

A number of features of workplace representation were explicitly investigated, namely: the provision of paid time off; the provision of information; the character of the management-representative relationship; and the degree of influence held by representatives in workplace decision making. In accordance with the theoretical framework, the provision of paid time off for representatives, the provision of information and the character of the management-representative relationship were each found to be supportive of greater levels of influence on the part of representatives. Consequently, if one wishes to characterise the concept of meaningful social dialogue in terms of the extent to which employee representatives have a substantive role in workplace decision making, then the analysis presented in this report identifies some of the components which appear to contribute to this outcome. In turn, it identifies some factors that are associated with the greater likelihood that these components are in place. It is not possible to make definitive statements about causality. However, many of these associations can be understood through reference to the theoretical framework outlined earlier. To that extent, the analysis presented in this report provides the basis for a better understanding of the prevalence and nature of workplace social dialogue in Europe.

As a postscript to the analysis of the extent and nature of workplace employee representation, the report considered some of the potential outcomes from meaningful social dialogue. The theoretical expectation is that meaningful social dialogue may bring disharmony to the surface, since the parties are forced to confront one another with a view to reaching mutually acceptable compromises. The overall climate of employment relations may appear worse in the presence of effective social dialogue. Nevertheless, theory also predicts that, by providing voice for workers, structures of social dialogue encourage employees to tackle the problems they face at work, rather than quitting in the face of dissatisfaction. This provides the employee with opportunities for more stable employment.

The analysis provided some evidence to support the theoretical proposition that, whilst the overall climate of employment relations may suffer in the presence of workplace social dialogue, forms of employee representation, by providing voice for workers, can reduce quits. The evidence is somewhat tentative, given that we do not find consistent associations with all forms of representation. However, it is broadly in line with limited existing evidence.

There are, of course, some limitations to the analysis. Although ECS 2009 is a rich source of data on the workplace and its social dialogue practices, it does not enable us to identify all of the possible influences on the presence or nature of workplace social dialogue. For instance, it is not possible to identify whether arrangements that employers set up to communicate directly with their employees are complements to, or substitutes for, workplace social dialogue. We are also unable to examine the complementarity of workplace social dialogue to arrangements that may exist at higher levels in multi-site organisations.

One must also recognise that the ECS 2009 data are cross-sectional in nature, offering a snapshot of practice in each workplace at one specific point in time. It is therefore not possible to robustly identify the direction of causality and the regression results must be interpreted as conditional associations, rather than as causal effects. However, many of the associations that have been identified can be understood through reference to the theoretical framework outlined earlier.

To that extent, the analysis presented in this report provides the basis for a better understanding of the prevalence and nature of workplace social dialogue in Europe.

## Conclusions and policy implications

Two central conclusions emerge from the research. The first is that policy levers, such as legislative support for workplace employee representation, can be influential in guiding practice. We find a number of instances in which the institutional environment or the legislative framework are associated with the extent and nature of workplace social dialogue. Examples here would include the dominant level of bargaining in the country and supports for union presence or rights to time off work for representatives. If policy makers were to judge it desirable to increase the prevalence of workplace employee representation, or to shape the way in which it operates, then it would appear to be that there are opportunities to do so.

At the same time, however, one must recognise that there are limits to the extent to which policy makers can be prescriptive in this area. Our theoretical framework made clear that the costs and benefits of social dialogue may be viewed differently by the various parties of the employment relationship and that it is difficult a priori to determine what is socially optimal. When the extent and nature of workplace social dialogue is so clearly related to a wide range of workplace and workforce characteristics, this institutional specificity makes it difficult to judge the extent to which practices are transferable across institutional boundaries.

One of the most striking findings from this study is the degree to which the incidence of workplace representation varies within and across EU countries. The theory we deploy to predict the presence of workplace representation proves illuminating in the empirical analysis and helps to explain some this variance, but the bulk of it remains unexplained. From a policy perspective one might legitimately ask whether the absence of worker representation is optimal. The answer to this question depends very much on what policy objective one has in mind. If, for instance, worker representation is regarded as a public good because it extends democracy into the working environment, one may wish to mandate worker representation in EU countries to ensure this mechanism for democracy exists. At the very least one might wish to put in place a simple 'trigger' for worker representation which could be sprung by workers if they chose to do so, as occurs in France in the case of union representation for example.

However, policy makers might reasonably be concerned about the possible costs incurred by firms, and perhaps workers, if worker representation was to be mandated across EU countries. Worker representation can incur direct costs via information collection, provision and transmission, which might be necessary to make it meaningful. There could also be indirect costs associated with wage bargaining and, in some cases, through works council consultation and negotiation over non-wage matters. Concerns about burdening business with unknown costs might temper any enthusiasm for legislating in favour of more widespread worker representation.

A reasonable amount is already known from existing studies about the impact of worker representation on workplaces, albeit for a small selection of EU countries. Germany is perhaps the country for which the most extensive body of robust evidence exists on the effects of a statutorily-based system of workplace representation (see Addison, 2009, for example). The consensus on German works councils seems to be that they perform a reasonable job in resolving conflict at work and in helping firms find solutions for various problems, whether it be with labour or production issues. Recent studies identify some rent-sharing on the part of employers with works councils, but any costs that result do not appear to be exorbitant. There is no evidence that works councils damage firm profitability or growth, for instance.

This evidence is potentially useful for policy makers interested in extending a model of worker representation into areas of the EU where it is somewhat lacking. But one must be cautious as the German setting is quite particular. What works

councils can do is quite prescribed: there is, for instance, a clear demarcation between their workplace role and the role of unions – usually at sectoral level – in wage bargaining. The functions performed by works councils tend to be integrative bargaining rather than distributional in nature. It thus makes sense that the costs of this type of representation are not prohibitive, a point which Freeman and Lazear identified in their theoretical work (Freeman and Lazear, 1995).

Of course, it must be emphasised that the German model is not the only available model in the EU. The French system of union-based representation is also underpinned by statute which permits workers in most establishments to trigger union-based bargaining even in the absence of union members. The most recent evidence indicates that this system damages workplace profitability in only a small minority of cases (Bryson, Forth, Laroche, 2011). Evidence from around the world, including the United States, Canada and Britain shows that worker representation is often associated with greater worker dissatisfaction with their jobs and with poorer perceptions of the employment relations climate among both workers and employers. However, this is due to worker representatives being able to solve problems at work, and it reduces the rate at which they quit the firm (see Freeman and Medoff, 1984; Addison and Belfield, 2007). That is to say, worker representation increases the job dissatisfaction threshold that must be reached before a worker quits the firm. We replicate this finding for the EU in this study. This is very valuable from an economic perspective because it means that firms with worker representation have longer tenured contracts which provide a good basis for investing in workers' human capital. Thus there is a clear link between worker representation and skill formation which, perhaps, has been overlooked in the past.

The discussion above clearly indicates that policy makers need to be mindful of particular contexts before assuming that an extension of any specific type of worker representation might have benign consequences if introduced elsewhere. Relevant issues here include the specific institutions in place, and the nature of the product and labour markets. The standard approach to such a policy conundrum would ordinarily be to start cautiously, evaluate the policy change and, if deemed advantageous, alter the parameters of the policy subsequently. This is precisely the approach that has been adopted with respect to EU regulations on information and consultation, which have been slowly rolled out to smaller firms.

The costs to employees of triggering employee representation are very low in a number of EU countries, such as France and Germany. However, these structures are still not all-pervasive in those settings (particularly in smaller workplaces). This raises a fundamental policy question: why is there this variance when the mechanisms to trigger representation make it easy for workers to do so? Do the preferences of workers for representation differ fundamentally according to the size of workplace they work in, or do the benefits of representative structures only really become apparent to workers in larger workplaces? And to what extent does the presence of union representation beyond the workplace either temper or enhance the desire for workplace-level worker representation?

One may conclude on the basis of the evidence that we have to date that there is a *prima facie* case for tackling the absence of worker representation at workplace level in the EU, if the goal is to extend democracy into the workplace. Further, there are grounds to be cautiously optimistic about the economic value of doing so. Yet the inherent complexities and uncertainties imply that any new interventions should be minimalist at first and lead to evaluation of its impact and subsequent reappraisal.





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## Annex 1: Eligible forms of trade union and works council representation

The table below indicates, for each country in ECS 2009, those forms of trade union and works council representation that are both: (i) observed in ECS 2009; and (ii) included within our measure identifying the presence of workplace representation. The final column in the table specifies whether union or works council representatives were prioritised when seeking an employee representative interview; the figure following the table shows the composition of the weighted sample of employee representatives who provided an interview.

In some cases, ECS interviews were conducted in multiple languages within a single country (as in Belgium); in these cases the different translations are each presented in the table and separated by a forward slash (/). For countries with more than one eligible type of works council representation (as in Austria), the different types are written on separate lines.

ECS 2009 inadvertently included within its categorisation of works-council type representation some bodies which we deem ineligible, either because they are ad hoc bodies, health and safety committees or European Works Councils. We exclude the following from our classification (and the table below):

- Belgium: Comité voor Preventie en Bescherming op het Werk/Comité pour la Prévention et la Protection au Travail
- Germany: Runder Tisch oder Betriebsausschuss and Belegschafts- oder Mitarbeitersprecher
- Latvia: Euroopa Töönõukogu in Estonia, and Darba padome/Совет рабочих.

For Italy, we classify Rappresentanza Sindacale Unitarias (RSUs) and Rappresentanza Sindacale Aziendales (RSA) as works councils even though there is a high level of union involvement.

These departures from the categorisation used in the survey interview mean that we depart in some small ways from the classification used by Aumayr et al (2011a).

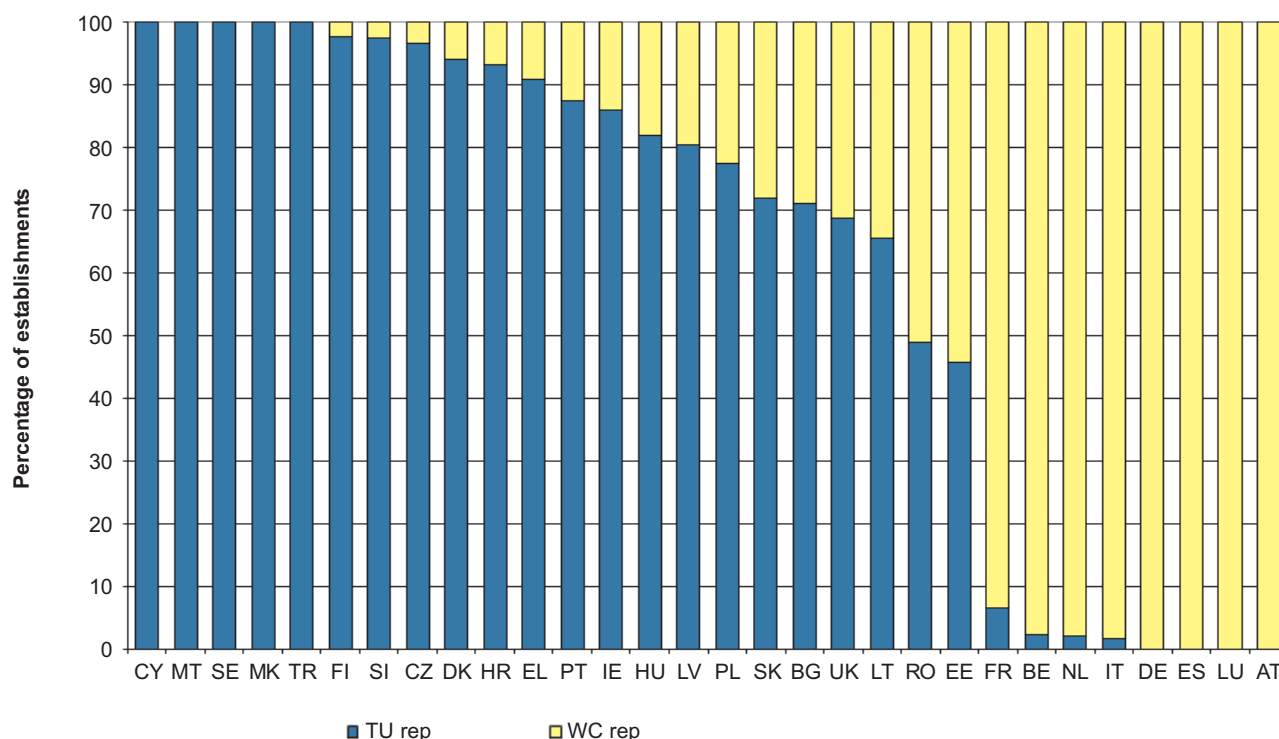
Table 5: *Eligible forms of trade union and works council representation*

	Trade union representation	Works councils representation	Interview priority
<b>Austria</b>		Betriebsrat Personalvertretung	N/A
<b>Belgium</b>	Syndicale Delegatie / Délégation Syndicale	Ondernemingsraad / Conseil d'Entreprise Bijzonder Onderhandelingscomité of basisonderhandelingscomité / Comité de negociation particulier ou de base Bijzonder Overlegcomité of Basisoverlegcomité / Comité de concertation particulier ou de base	Works council
<b>Bulgaria</b>	Синдикална организация	Представители за информирание и консултиране на работниците и служителите	Trade union
<b>Czech Republic</b>	Odborová organizace	Rada zaměstnanců	Trade union
<b>Cyprus</b>	Συνδικαλιστική Εκπρωσώπηση		N/A
<b>Denmark</b>	Tillidsrepræsentant	Samarbejdsudvalg MED-udvalg	Trade union
<b>Germany</b>		Betriebsrat Personalrat	N/A
<b>Estonia</b>	Ametiühing / Профсоюз	Töötajate usaldusisik / Доверенное лицо работников	Trade union
<b>Greece</b>	Επιχειρησιακό σωματείο	Συμβούλιο εργαζομένων	Trade union

	Trade union representation	Works councils representation	Interview priority
<b>Finland</b>	Ammattiosasto ja tai luottamusmies / Fackavdelning och eller den fackliga förtroenderpraesentanten	YT-toimikunta / Förhandlingsorgan för Samarbetsförfarandet	Trade union
<b>France</b>	Délégué syndical	Délégué du personnel Comité d'entreprise	Works council
<b>Hungary</b>	Szakszervezet (bizalmi)	Üzemi megbízott illetőleg Üzemi tanács Közalkalmazotti képviselő illetőleg Közalkalmazotti Tanács	Trade union
<b>Ireland</b>	Workplace union representative	Statutory employee representative forum	Trade union
<b>Italy</b>	Organizzazione sindacale	Rappresentanza sindacale unitaria (RSU) Rappresentanza sindacale aziendale (RSA)	Works council
<b>Latvia</b>	Arodbiedrība / профсоюз	Darbinieku pilnvarotie pārstāvji / Уполномоченные представители рабочих	Trade union
<b>Lithuania</b>	Profesinė sąjunga	Darbo taryba	Trade union
<b>Luxembourg</b>		Comité mixte de enterprise / Comité mixte vum Betrieb Délégation du personnel / Personaldélégatioun	N/A
<b>Malta</b>	Organizzazzjoni trejtdjunjonistika rikonoxxuta fuq ix-shop floor / Shop steward (recognized union representative)		N/A
<b>Netherlands</b>	Bedrijfsledengroep	Personeelvertegenwoordiging of Ondernemingsraad	Works council
<b>Poland</b>	Zakładowa organizacja związkowa	Rady pracowników Przedstawiciele załóg w radach nadzorczych	Trade union
<b>Portugal</b>	Um delegado sindical ou uma Comissão sindical	Comissão de Trabalhadores (CT)	Trade union
<b>Romania</b>	Sindicat	Reprezentanții salariaților	Trade union
<b>Slovenia</b>	Sindikalnega zaupnika oziroma predsednika sindikata	Delavskega zaupnika oziroma svet delavcev	Trade union
<b>Slovakia</b>	Základná organizácia odborového zväzu	Zamestnanecký dôverník resp Zamestnanecká rada	Trade union
<b>Spain</b>		Delegado de personal o Comité de empresa Delegado de personal o Junta de personal	N/A
<b>Sweden</b>	Facklig förtroendeman		N/A
<b>United Kingdom</b>	Recognised shop floor trade union representation	Joint consultative committee Employee forum or equivalent body	Trade union
<b>Croatia</b>	Sindikat	Radničko vijeće Predstavnik Radnika u Nadzornem odboru	Trade union
<b>The former Yugoslav Republic of Macedonia</b>	Shoqatë sindikale / Синдикална организација		N/A
<b>Turkey</b>	İşyerinizce tanınan bir çalışan sendikası temsilciliği		N/A



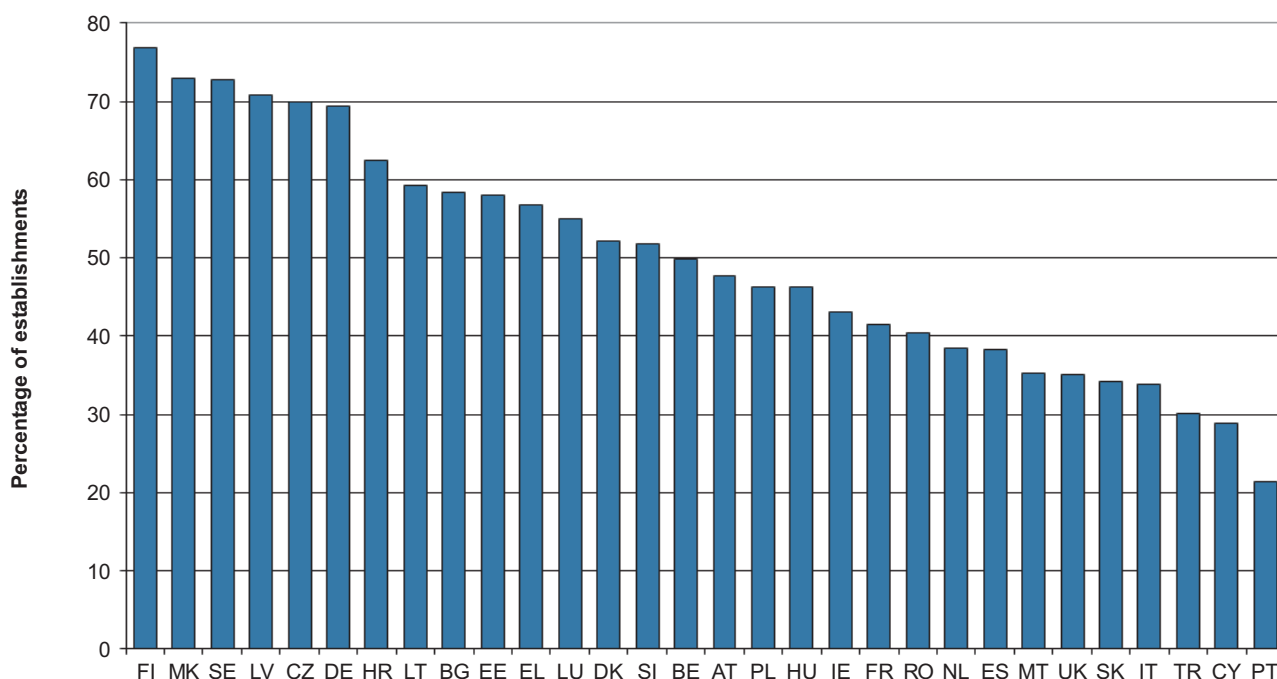
Figure 13: Composition of weighted sample of employee representatives, by country



TU = trade union; WC = works council  
Base: all workplaces with 10+ employees  
Source: ECS 2009

## Annex 2: Weighting the sample of employee representatives

On average, employee representative interviews were achieved in 50% of those workplaces with eligible forms of workplace representation (specifically, the trade union and works council bodies cited in Annex 1). However, there were some considerable variations in this yield across different types of workplace. Figure 14, for example, shows the variation in the yield across the countries that participated in the survey. Relatively high yields of 65% or more were obtained in countries such as Finland, the former Yugoslav Republic of Macedonia and Sweden. In contrast, relatively low yields of 35% or less were obtained in countries such as Portugal and Cyprus. Yields also varied by workplace size, ownership and industry sector, among other things. Representatives from workplaces with such characteristics would thus be over or under-represented in the achieved sample of employee representative interviews, unless some adjustment was made to the achieved sample to correct for these biases. A new weight for employee representatives was created for this purpose.

Figure 14: *Percentage of establishments with eligible trade union/works council representation which yielded ER interviews*

Base: all workplaces with 10+ employees and eligible trade union/works council representation

Source: *ECS 2009*

The weighting adjustment was created by using logistic regression analysis to identify workplace characteristics that were associated with the probability of an eligible workplace yielding an employee representative interview. A wide range of workplace characteristics were entered into the model and a stepwise approach was used to identify the statistically significant predictors. The regression coefficients were used to compute, for each eligible workplace, a predicted probability ( $p$ ) of yielding an employee representative interview. This predicted value would be relatively high for workplaces with characteristics that were associated with an above-average probability of response (and which thus needed to be down-weighted in any analysis of the achieved sample). This would be relatively low for workplaces with characteristics that were associated with a below-average probability of response (and which thus needed to be up-weighted in any analysis of the achieved sample). The new employee representative weight was thus created by multiplying the existing establishment weight (EST\_WEI) by  $1/p$ . Before doing so, extreme predicted values were trimmed so that the maximum value of  $p$  was no more than three times the magnitude of the smallest value. Whilst this does not obtain the maximum reduction in bias, it does have the advantage of limiting the degree of additional variation that is introduced within the original weighting classes, and thus limiting any inflation in standard errors.<sup>47</sup>

The marginal effects obtained from the regression analysis are presented in the first column of Table 6. The second column of the table shows the distribution of workplace characteristics among the sample of 12,848 workplaces that were eligible for an employee representative interview. The estimates are weighted in this column by the establishment weight (EST\_WEI) that is provided with the public-use dataset. The third column shows the distribution of workplace characteristics among the sub-sample of 6,435 workplaces that provided an interview with an employee representative; the estimates are again weighted by the standard establishment weight. The differences between Columns 2 and 3

<sup>47</sup> An excessive reduction in standard errors has the potential to override any benefits of bias reduction by increasing the mean squared error.

comprise the observable biases in the employee representative sample. Column 4 again shows the distribution of workplace characteristics among the sub-sample of 6,435 workplaces that provided an interview with an employee representative, but here the estimates are weighted by the new employee representative weight. A comparison of Columns 5 and 6 shows that the new employee representative weight provides a weighted sample which is less biased than one that uses the standard establishment weight. For example, one can observe a reduction in bias away from countries with above-average response rates, such as Sweden, and towards those with below-average response rates, such as Spain. One can also observe a reduction in bias away from larger workplaces, those in the public sector and those where managers prefer representative to direct consultation with employees. There is a limit to the extent to which some of the very substantial biases are corrected (see, for example, the substantial bias towards workplaces where managers either did not provide contact details for the representative or permit any interview to take place in work time). This is partly a function of the trimming of the weights described above. Overall, however, one can observe an improvement in the representativeness of the achieved sample of employee representatives under the new weight.

Table 6: *Results of weighting the sample of employee representatives*

	[1]		[2]	[3]	[4]	[3]-[2]	[4]-[2]
Country	MEff	Sig.	% in sample	% in sample	% in sample	% points	% points
FR	ref.		15.6	14.3	16.1	-1.2	0.5
BE	0.088	***	2.2	2.2	2.1	0.0	-0.1
BG	0.164	***	1.2	1.4	1.2	0.2	0.0
CZ	0.092	***	1.3	1.8	1.4	0.5	0.1
DK	0.004		2.2	2.6	2.4	0.4	0.2
DE	0.182	***	13.4	18.6	15.1	5.2	1.7
EE	0.174	***	0.3	0.4	0.3	0.1	0.0
IE	-0.033		0.5	0.5	0.6	0.0	0.0
EL	0.074	*	0.2	0.3	0.2	0.0	0.0
ES	0.110	***	13.6	10.8	11.8	-2.7	-1.8
IT	0.092	***	10.4	7.4	7.3	-3.0	-3.1
CY	-0.083	**	0.2	0.1	0.2	-0.1	0.0
LV	0.237	***	0.5	0.7	0.6	0.2	0.0
LT	0.082	***	0.5	0.6	0.5	0.1	0.0
LU	0.270	***	0.2	0.3	0.2	0.1	0.0
HU	0.061	**	1.7	1.5	1.4	-0.2	-0.3
MT	-0.042		0.0	0.0	0.0	0.0	0.0
NL	-0.014		4.1	3.2	4.2	-1.0	0.0
AT	0.057	**	0.9	0.8	0.8	-0.1	-0.2
PL	0.021		5.8	5.6	6.1	-0.2	0.3
PT	-0.182	***	0.2	0.1	0.2	-0.1	0.0
RO	0.023		5.8	6.5	6.3	0.7	0.4
SI	0.050		0.5	0.6	0.5	0.1	0.0
SK	-0.016		1.7	1.2	1.3	-0.5	-0.4
FI	0.159	***	1.5	2.5	2.0	1.0	0.5
SE	0.106	***	4.4	7.0	5.5	2.6	1.1
UK	-0.022		7.2	5.4	7.4	-1.8	0.2
HR	0.017		0.7	1.1	0.9	0.3	0.2
MK	0.161	***	0.2	0.3	0.3	0.1	0.1
TR	-0.207	***	2.7	2.2	3.4	-0.6	0.7

	[1]		[2]	[3]	[4]	[3]-[2]	[4]-[2]
	MEff	Sig.	% in sample	% in sample	% in sample	% points	% points
<b>Sector: Manufacturing and energy</b>	ref.		21.7	18.7	18.4	-3.0	-3.3
Construction	-0.039	***	6.5	3.7	4.1	-2.8	-2.3
Wholesale and retail	0.013		13.2	12.7	12.6	-0.5	-0.5
Hotels and restaurants	-0.015		2.5	2.0	2.4	-0.5	-0.1
Transport, storage and communication	-0.041	**	4.7	4.1	4.4	-0.6	-0.4
Finance	0.001		3.0	3.1	3.2	0.2	0.2
Property and business services	-0.007		8.2	8.0	8.5	-0.2	0.2
Public administration	0.060	***	9.7	13.9	12.2	4.2	2.5
Education	-0.012		14.2	15.3	15.7	1.2	1.5
Health and social work	-0.001		10.8	12.2	12.5	1.4	1.7
Other services	0.014		5.6	6.2	6.1	0.6	0.5
<b>Type: Single independent</b>	ref.		61.5	59.4	60.1	-2.1	-1.5
HQ of multi	0.028	***	17.7	20.0	19.5	2.4	1.9
Branch of multi	-0.001		20.8	20.5	20.4	-0.3	-0.4
<b>Size: 10-19 employees</b>	ref.		32.4	29.1	30.9	-3.3	-1.6
20-40	0.031	**	33.7	33.0	32.5	-0.7	-1.2
50-99	0.038	***	14.0	15.2	14.4	1.2	0.5
100-149	0.019		6.5	7.1	7.1	0.6	0.6
150-299	0.039	***	8.1	9.0	8.9	0.9	0.8
300-399	0.057	***	1.7	2.2	2.0	0.5	0.2
400+	0.028	**	3.6	4.4	4.2	0.8	0.6
<b>Ownership: Public sector</b>	ref.		34.5	40.7	38.6	6.2	4.0
Private, 51%+ domestic	-0.024	**	56.7	49.8	52.0	-6.9	-4.7
Private, 50%+ foreign	0.010		8.8	9.5	9.4	0.7	0.6
<b>Prefers direct consultation: Agree</b>	ref.		57.5	54.5	57.6	-3.0	0.1
Neither agree/disagree	0.020	**	15.0	15.9	14.9	0.9	-0.1
Disagree	0.025	***	24.3	26.7	24.8	2.4	0.5
Not answered	0.042	*	3.2	2.9	2.7	-0.2	-0.5
<b>Consulting reps aids staff commitment: Agree</b>	ref.		69.7	72.0	71.5	2.3	1.8
Neither agree/disagree	-0.033	***	12.2	11.0	10.8	-1.2	-1.4
Disagree	-0.014		15.3	15.1	15.6	-0.2	0.3
Not answered	-0.069	***	2.8	1.9	2.1	-0.9	-0.7
<b>Permits data linking: Yes</b>	ref.		86.2	90.0	88.2	3.9	2.0
No	-0.053	***	13.8	10.0	11.8	-3.9	-2.0
<b>Mgr help for ER interview: Gives ER details &amp; permits in work time</b>	ref.		59.1	89.4	81.6	30.3	22.5
No details & permits in work time	-0.289	***	13.7	9.5	15.9	-4.2	2.2
No details & not in work time	-0.654	***	27.2	1.1	2.5	-26.1	-24.7

	[1]		[2]	[3]	[4]	[3]-[2]	[4]-[2]
Country	MEff	Sig.	% in sample	% in sample	% in sample	% points	% points
Type of ER: TU rep	ref.		29.1	34.5	32.7		
WC rep	-0.083	***	70.9	65.5	67.3		
Pseudo-R2	0.319						
Obs	12848		12848	6435	6435		
Sum of absolute biases						154.9293	109.7858
Column [1]: Marginal effects from stepwise logistic regression Column [2]: All workplaces with trade union / works council (TU/WC) (establishment weights) Column [3]: All workplaces with employee representative (ER) interview (establishment weights) Column [4]: All workplaces with ER interview (new ER weights) * p<0.10, ** p<0.05, *** p<0.01							

Base: all workplaces with 10+ employees and eligible TU/WC representation

Source: ECS 2009

### Annex 3: Country-level values on external data items

The table below indicates the values taken by each individual EU27 country on the descriptive country-level variables described at the end of the section outlining the analytical approach of this study. A key and a list of sources are provided at the end of the table.

Table 7: Country level values on external data items

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Country	Regime	Dominant level of bargaining	Model of workplace representation	Legislation to support union presence	Minimum size of undertaking to trigger WC-type representation	Public confidence in unions (quartile)	Count variable	WC reps have right to paid time off	TU reps have right to paid time off
BE	Centre-West	4	4	Yes	100	3	3	Yes	Yes
BG	Centre-East	3	4	No	20	1	2	Yes	Yes
CZ	Centre-East	2	4	No	25	1	2	Yes	Yes
DK	North	2	5	No	35	4	3	Yes	Yes
DE	Centre-West	2	1	No	5	2	3	Yes	N/A
EE	Centre-East	1	5	Yes	1	3	3	Yes	Yes
IE	West	4	5	No	15	4	3	No	No
EL	South	3	5	Yes	20	1	3	Yes	No
ES	South	3	5	Yes	6	2	4	Yes	Yes
FR	South	2	4	Yes	11	3	4	Yes	Yes
IT	South	3	5	Yes	16	1	3	Yes	No
CY	West	2	2	No	N/A	2	3	N/A	Yes
LV	Centre-East	1	5	Yes	5	4	3	No	No
LT	Centre-East	1	3	Yes	21	4	4	Yes	No
LU	Centre-West	2	1	No	15	4	3	Yes	N/A
HU	Centre-East	2	4	No	15	1	2	Yes	Yes
MT	West	1	3	No	50	3	2	Yes	No
NL	Centre-West	3	5	No	10	4	3	Yes	No
AT	Centre-West	2	1	No	5	2	3	Yes	N/A
PL	Centre-East	1	4	Yes	50	2	2	Yes	Yes
PT	South	2	5	No	1	3	3	Yes	Yes

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Country	Regime	Dominant level of bargaining	Model of workplace representation	Legislation to support union presence	Minimum size of undertaking to trigger WC-type representation	Public confidence in unions (quartile)	Count variable	WC reps have right to paid time off	TU reps have right to paid time off
RO	Centre-East	2	3	Yes	20	2	5	Yes	Yes
SI	Centre-West	4	5	No	21	4	3	Yes	No
SK	Centre-East	3	4	No	50	2	2	Yes	Yes
FI	North	3	5	No	20	4	3	Yes	Yes
SE	North	3	2	Yes	N/A	2	4	N/A	Yes
UK	Centre-West	1	5	Yes	50	1	1	Yes	Yes

N/A: Not applicable because the type of representation covered by the indicator is not found at workplace level in the specific country

TU: Trade union

WC: Works council.

#### Key:

##### *Dominant level of bargaining:*

1. Local or company bargaining
2. Sectoral or industry level, with additional local or company bargaining
3. Sectoral or industry level
4. National level, with additional sectoral/local or company bargaining

##### *Model of workplace representation:*

1. WC-type representation only
2. TU representation only
3. TU + WC both possible, but TU has legal precedence
4. TU + WC both possible; roles separated in law to some degree
5. TU + WC both possible; roles not separated in law

##### *Public confidence in trade unions:*

1. Country is in bottom quartile
2. Country is in second quartile
3. Country is in third quartile
4. Country is in top quartile

##### *Count variable: Counts one for each of the following:*

- Dominant level of bargaining = Above company level
- Model of representation = TU only or TU given precedence
- Legislative support for union presence = Some
- Threshold for WC-type representation = Below 50 employees
- Public confidence in unions = 2nd, 3rd or 4th quartile

#### Sources:

- [1] Table 2.2 in European Commission (2009)
- [2] Variable LEVEL in ICTWSS database (Visser, 2009b)
- [3] Fulton (2010)
- [4] Fulton (2010)
- [5] Fulton (2010)
- [6] Authors' calculations from European Values Survey
- [7] Authors' calculations
- [8] Fulton (2010) and Calvo et al (2008)
- [9] Fulton (2010)

## Annex 4: Tables of results from the regression analyses

Table 8: Incidence of any workplace representation and its association with workplace characteristics

	[M1]		[M2]		[M3]	
	Country dummies only		M1 + workplace characteristics		M2 + H&S + HR practices	
	MEff	Sig.	MEff	Sig.	MEff	Sig.
Country: EL	ref.		ref.		ref.	
DK	0.634	***	0.535	***	0.440	***
SE	0.590	***	0.494	***	0.462	***
FI	0.554	***	0.511	***	0.418	***
ES	0.479	***	0.451	***	0.372	***
RO	0.472	***	0.469	***	0.382	***
LU	0.471	***	0.456	***	0.450	***
FR	0.464	***	0.427	***	0.448	***
NL	0.414	***	0.331	***	0.300	***
SK	0.396	***	0.390	***	0.352	***
SI	0.380	***	0.330	***	0.307	***
BE	0.374	***	0.292	***	0.264	***
HR	0.369	***	0.323	***	0.329	***
CY	0.338	***	0.377	***	0.340	***
IT	0.316	***	0.329	***	0.259	***
BG	0.308	***	0.294	***	0.256	***
MK	0.306	***	0.253	***	0.288	***
PL	0.293	***	0.235	***	0.225	***
LV	0.285	***	0.208	***	0.196	***
IE	0.246	***	0.215	***	0.166	***
HU	0.218	***	0.191	***	0.158	***
DE	0.210	***	0.189	***	0.114	***
EE	0.183	***	0.177	***	0.106	***
UK	0.170	***	0.150	***	0.116	***
LT	0.165	***	0.124	***	0.085	***
AT	0.155	***	0.167	***	0.122	***
CZ	0.124	***	0.084	***	0.032	
TR	0.116	***	0.080	***	0.085	***
MT	0.093	***	0.067	***	0.078	**
PT	-0.001		-0.004		-0.029	
Sector: Wholesale and retail			ref.		ref.	
Manufacturing and energy			0.066	***	0.061	***
Construction			0.033	**	0.022	
Hotels and restaurants			-0.037		-0.043	*
Transport, storage and communications			0.023		0.019	
Finance			0.158	***	0.135	***
Property and business services			-0.002		0.002	
Public administration			0.142	***	0.156	***
Education			0.218	***	0.218	***
Health and social work			0.137	***	0.137	***
Other services			0.105	***	0.091	***



	[M1]		[M2]		[M3]	
	Country dummies only		M1 + workplace characteristics		M2 + H&S + HR practices	
	MEff	Sig.	MEff	Sig.	MEff	Sig.
Type: Single independent			ref.		ref.	
HQ of multi			0.042	***	0.024	*
Branch of multi			0.101	***	0.079	***
Size: 10-19 employees			ref.		ref.	
20-40			0.143	***	0.115	***
50-99			0.320	***	0.266	***
100-149			0.367	***	0.299	***
150-299			0.457	***	0.383	***
300-399			0.552	***	0.478	***
400+			0.596	***	0.513	***
Ownership: Private, 51%+ domestic			ref.		ref.	
Private, 50%+ foreign			0.025		0.018	
Public sector			0.155	***	0.138	***
Organisational change: Takeover/merger in last 3 yrs			0.042	***	0.028	*
Employment: Stable over last 3 years			ref.		ref.	
Increasing			-0.039	***	-0.046	***
Decreasing			0.055	***	0.038	***
Gender: Workforce 60%+ female			-0.028	**	-0.027	**
Skill: Workforce 80%+ high-skilled			-0.032	**	-0.042	**
Contracts: Workforce 40%+ fixed-term			-0.067	***	-0.063	***
Nightwork: Some			0.026	**	0.018	
H&S representation: Some					0.166	***
Teamworking: None					ref.	
Semi-autonomous teams					-0.032	**
Non-autonomous teams					0.001	
Workers paid by PRP: None					ref.	
Less than 50%					0.029	**
50-100%					0.030	**
Periodic check on training needs: Yes					0.055	***
Any off-job training in last year: Yes					0.018	*
Workers with flexible hours: None					ref.	
Less than 50%					0.010	
50-100%					0.020	*
HR innovation: Some in last 3 years					0.027	***
Economic situation of w/p: Neither good nor bad					ref.	
Very/quite good					-0.021	**
Very/quite bad					0.027	*
Pseudo-R2	0.081		0.252		0.292	
Obs	25860		25860		23819	

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

Base: all workplaces with 10+ employees

Source: ECS 2009

Table 9: Incidence of workplace trade union (TU) or works council (WC) representation

	[1]		[2]		[3]		[4]		[5]	
	Any TU/WC (probit)		Any TU (probit)		Any WC (probit)		Any TU (bivariate probit)		Any WC (bivariate probit)	
	MEff	Sig.	MEff	Sig.	MEff	Sig.	Sign	Sig.	Sign	Sig.
Country:	Yes		Yes		Yes		Yes		Yes	
Sector: Wholesale and retail	ref.		ref.		ref.		ref.		ref.	
Manufacturing and energy	0.071	***	0.020	*	0.052	***	+	**	+	***
Construction	0.050	***	-0.017		0.057	***	-		+	***
Hotels and restaurants	0.015		-0.004		0.005		+		+	
Transport, storage and communications	0.045	*	0.060	***	-0.007		+	***	+	
Finance	0.113	***	0.042		0.063	*	+	**	+	**
Property and business services	0.037	*	0.024		0.019		+		+	
Public administration	0.093	***	0.078	***	0.037		+	***	+	**
Education	0.209	***	0.131	***	0.042	*	+	***	+	***
Health and social work	0.139	***	0.074	***	0.071	***	+	***	+	***
Other services	0.102	***	0.027		0.068	**	+	**	+	***
Type: Single independent	ref.		ref.		ref.		ref.		ref.	
HQ of multi	0.068	***	0.021		0.059	***	+	**	+	***
Branch of multi	0.090	***	0.084	***	0.038	***	+	***	+	***
Size: 10-19 employees	ref.		ref.		ref.		ref.		ref.	
20-40	0.162	***	0.077	***	0.096	***	+	***	+	***
50-99	0.352	***	0.146	***	0.212	***	+	***	+	***
100-149	0.386	***	0.171	***	0.239	***	+	***	+	***
150-299	0.476	***	0.268	***	0.247	***	+	***	+	***
300-399	0.533	***	0.301	***	0.269	***	+	***	+	***
400+	0.608	***	0.346	***	0.298	***	+	***	+	***
Ownership: Private, 51%+ domestic	ref.		ref.		ref.		ref.		ref.	
Private, 50%+ foreign	0.039	**	0.014		0.020		+	*	+	
Public sector	0.158	***	0.131	***	0.021		+	***	+	***
Organisational change: Takeover/merger in last 3 yrs	0.027	*	0.011		0.022		+		+	*
Employment: Stable over last 3 years	ref.		ref.		ref.		ref.		ref.	
Increasing	-0.026	**	-0.031	***	-0.002		-	***	-	
Decreasing	0.050	***	0.034	***	0.018		+	***	+	***
Gender: Workforce 60%+ female	-0.020		-0.016	*	0.000		-	**	-	
Skill: Workforce 80%+ high-skilled	-0.040	**	-0.038	***	-0.001		-	***	-	
Contracts: Workforce 40%+ fixed-term	-0.053	***	-0.033	**	-0.008		-	**	-	
Night work: Some	0.027	*	0.035	***	-0.003		+	***	+	
Works council: present			0.227	***						
Trade union: present					0.329	***				
Pseudo-R2	0.252		0.382		0.277					
Obs	17688		17688		17688		17688		17688	

\* p&lt;0.10, \*\* p&lt;0.05, \*\*\* p&lt;0.01

Base: all workplaces with 10+ employees (excluding countries where TUs and WCs cannot both be observed at workplace level – see footnote 32)

Source: ECS 2009

Table 10: Incidence of workplace representation – association with country characteristics

	[1]		[2]		[3]		[4]		[5]		[6]	
	Regime + workplace characteristics		Bargaining level + workplace characteristics		Model + workplace characteristics		Leg. + workplace characteristics		Conf. + workplace characteristics		All + workplace characteristics	
	MEff	Sig.	MEff	Sig.	MEff	Sig.	MEff	Sig.	MEff	Sig.	MEff	Sig.
IR regime: West	ref.											
North	0.351	**										
Centre-west	0.062	*										
South	0.200	**										
Centre-east	0.114	*										
Dominant bargaining level: Company			ref.									
Sector + company			0.089									
Sector			0.195	**								
National + sector/company			0.101	**								
Model: Roles not separated					ref.							
WC only					-0.089							
TU only					0.208	**						
TU has precedence					0.133							
Roles separated					0.033							
Legal support for TU presence: Some							0.129	*				
WC threshold (employees): 50 or more							ref.					
20-49							0.145					
10-19							0.167	***				
Less than 10							0.125					
No WC representation							0.269	***				
Public confidence in TUs: Bottom quartile									ref.			
Second quartile									0.103			
Third quartile									0.133			
Top quartile									0.145	**		
Dominant bargaining level: Above company											0.181	**
Model: TU preferred											0.032	
Legal support for TUs: Some											0.167	**
WC threshold: Below 50 employees											-0.031	
Confidence in TUs: 2nd-4th quartile											0.099	**
Workplace characteristics	Yes		Yes		Yes		Yes		Yes		Yes	
Pseudo-R2	0.197		0.186		0.181		0.196		0.178		0.213	
Obs	23420		23420		23420		23420		23420		23420	

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

Base: all workplaces with 10+ employees (EU27 countries only)

WC: Works council

TU: Trade union

Source: ECS 2009

Table 11: Incidence of trade union (TU) or works council (WC) representation – the role of competition

	[1]		[2]		[3]		[4]		[5]		[6]	
	Any TU/WC		Any TU/WC		Any TU		Any TU		Any WC		Any WC	
	MEff	Sig.	MEff	Sig.	MEff	Sig.	MEff	Sig.	MEff	Sig.	MEff	Sig.
Ln(Price-cost margin)	0.020				0.034	***			-0.001			
Price-cost margin: 0-8%			ref.				ref.				ref.	
9-15%			0.027				0.013				-0.008	
16-24%			0.056				0.053				0.000	
25%+			0.036				0.032				-0.008	
Pseudo-R2	0.248		0.248		0.409		0.401		0.341		0.338	
Obs	17266		17382		12120		12234		12120		12234	
All models employ our baseline specification, controlling for workplace characteristics + country * p<0.10, ** p<0.05, *** p<0.01												

Base: all private sector workplaces with 10+ employees (excluding countries where EUKLEMS data on industry price-cost margin not available)

Source: ECS 2009

Table 12: Whether representative considers that paid time off is sufficient

	[1]		[2]		[3]		[4]	
	Country + workplace characteristics		M1 + hours entitlement		Country rights + workplace characteristics		M3 + hours entitlement	
	MEff	Sig.	MEff	Sig.	MEff	Sig.	MEff	Sig.
Country:	Yes		Yes		Yes		Yes	
Sector: Education	ref.		ref.		ref.		ref.	
Manufacturing and energy	0.187	***	0.154	***	0.191	***	0.160	***
Construction	0.202	***	0.163	***	0.215	***	0.179	***
Wholesale and retail	0.133	**	0.110	**	0.134	**	0.114	**
Hotels and restaurants	0.182	**	0.162	**	0.176	***	0.166	***
Transport, storage and communications	0.150	**	0.129	**	0.135	***	0.122	**
Finance	0.096		0.068		0.088		0.057	
Property and business services	0.198	***	0.164	***	0.204	***	0.169	***
Public administration	0.171	***	0.145	***	0.161	***	0.134	***
Health and social work	0.084	*	0.057		0.082	*	0.058	
Other services	0.157	***	0.105	*	0.160	***	0.101	*
Type: Single independent	ref.		ref.		ref.		ref.	
HQ of multi	-0.014		-0.022		-0.033		-0.040	*
Branch of multi	-0.043		-0.053	**	-0.060	***	-0.069	***
Size: 10-19 employees	ref.		ref.		ref.		ref.	
20-40	0.004		0.000		-0.005		-0.008	
50-99	-0.003		-0.008		-0.013		-0.020	
100-149	-0.077	*	-0.080	**	-0.092	**	-0.098	**
150-299	-0.131	***	-0.148	***	-0.140	***	-0.162	***
300-399	-0.115	***	-0.116	***	-0.124	***	-0.131	***
400+	-0.154	***	-0.148	***	-0.166	***	-0.163	***

	[1]		[2]		[3]		[4]	
	Country + workplace characteristics		M1 + hours entitlement		Country rights + workplace characteristics		M3 + hours entitlement	
	MEff	Sig.	MEff	Sig.	MEff	Sig.	MEff	Sig.
Ownership: Private, 51%+ domestic	ref.		ref.		ref.		ref.	
Private, 50%+ foreign	-0.010		-0.007		-0.007		-0.007	
Public sector	-0.062	**	-0.057	**	-0.068	***	-0.061	**
Employment: Stable over last 3 years	ref.		ref.		ref.		ref.	
Increasing	0.000		0.002		-0.007		-0.002	
Decreasing	0.041	*	0.040	*	0.033	**	0.035	**
HR innovation: Some in last 3 years	-0.040	**	-0.037	*	-0.044	***	-0.041	***
Constituency size: 40%+ of workforce	ref.		ref.		ref.		ref.	
20-39%	0.014		0.010		0.007		0.001	
Less than 20%	0.107	***	0.100	***	0.117	***	0.109	***
Regular training: Yes	0.052	**	0.051	**	0.056		0.049	
Experience: 2+ years	0.013		0.010		0.000		-0.007	
Single/dual channel in workplace: Single	0.071	**	0.071	**	0.053	**	0.047	**
TU/WC rep: WC	0.210	***	0.195	***	0.018		0.023	
Hours entitlement: 0-1 hours			ref.				ref.	
2-8 hours			0.056	**			0.070	***
9+ hours			0.043				0.041	
As much as necessary			0.129	***			0.143	***
No answer			0.103	***			0.106	**
Right to paid time off: Yes					0.150	*	0.123	*
Pseudo-R2	0.129		0.145		0.098		0.117	
Obs	5570		5570		5570		5570	
* p<0.10, ** p<0.05, *** p<0.01								

Base: all workplaces with 10+ employees and an eligible representative

Source: ECS 2009

Table 13: Whether detailed employment and economic information provided at least once a year

	[1]		[2]	
	Country + workplace characteristics		WC rights + workplace characteristics (WC reps only)	
	MEff	Sig.	MEff	Sig.
Country:	Yes		No	
Sector: Education	ref.		ref.	
Manufacturing and energy	0.010		-0.034	
Construction	-0.081		-0.116	*
Wholesale and retail	0.076		-0.002	
Hotels and restaurants	0.108		0.015	
Transport, storage and communications	-0.025		-0.089	
Finance	0.043		-0.044	
Property and business services	0.057		-0.015	
Public administration	-0.056		-0.083	
Health and social work	-0.036		-0.076	
Other services	-0.055		-0.116	*

	[1]		[2]	
	Country + workplace characteristics		WC rights + workplace characteristics (WC reps only)	
	MEff	Sig.	MEff	Sig.
Type: Part of multi-site organisation	-0.053	**	-0.057	*
Size: 10-19 employees	ref.		ref.	
20-40	0.002		0.038	
50-99	0.037		0.101	
100-149	0.078	*	0.162	**
150-299	0.052		0.138	**
300-399	-0.015		0.090	***
400+	-0.049		0.032	
Constituency size: 40%+ of workforce	ref.		ref.	
Less than 20%	-0.068		-0.073	
20-39%	0.030		0.033	
Skill: <20% of workforce high-skilled	ref.		ref.	
20-39%	-0.017		-0.013	
40-59%	0.033		-0.003	
60-79%	0.051		0.045	
80-100%	0.097	**	0.101	
Sector: Private	0.031		0.036	
Wage agreement: None	ref.		ref.	
Establishment/co-level bargaining	0.070		0.024	
Higher level bargaining	0.034		-0.048	
Regular training: Yes	0.130	***	0.130	***
Experience: 2+ years	-0.010		-0.000	
TU/WC rep: WC	0.244	***		
Whether employees support reps: Neither agree/disagree	ref.		ref.	
Agree	0.117	***	0.099	
Disagree	-0.106	*	-0.161	***
Threshold for WC representation: Less than 10 employees				
10-19			0.009	
20-49			0.232	***
50 or more			0.255	***
Pseudo-R2	0.116		0.107	
Obs	5707		2574	

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

Base: all workplaces with 10+ employees and an eligible representative

Source: ECS 2009

Table 14: *Character of the relationship between managers and representatives*

	[1]		[2]		[3]	
	Country + workplace characteristics		TU rights + workplace characteristics (TU reps only)		WC rights + workplace characteristics (WC reps only)	
	MEff	Sig.	MEff	Sig.	MEff	Sig.
Country:	Yes		Yes		Yes	
Sector: Education	ref.		ref.		ref.	
Manufacturing and energy	0.108	**	0.107	*	0.131	**
Construction	0.085		0.148		0.100	
Wholesale and retail	0.080		-0.006		0.096	
Hotels and restaurants	-0.082		-0.018		-0.093	
Transport, storage and communications	0.003		0.020		0.013	
Finance	0.161	**	0.222		0.177	**
Property and business services	0.104	*	-0.012		0.159	
Public administration	0.122	**	0.089	**	0.142	*
Health and social work	0.076		0.106	***	0.120	*
Other services	0.112	*	0.185	***	0.159	**
Type: Single independent	ref.		ref.		ref.	
HQ of multi	0.022		0.070		0.003	
Branch of multi	-0.040		0.045		-0.062	
Size: 10-19 employees	ref.		ref.		ref.	
20-40	0.115	***	0.039		0.168	***
50-99	0.201	***	0.107	***	0.266	***
100-149	0.202	***	0.071		0.279	***
150-299	0.179	***	0.163	***	0.218	***
300-399	0.230	***	0.231	***	0.261	***
400+	0.266	***	0.173	***	0.331	***
Constituency size: 80%+ of workforce	ref.		ref.		ref.	
40-79%	0.048		0.089	**	0.026	
Less than 40%	0.101	**	0.121	**	0.090	
Sector: Private	0.017		-0.010		0.019	
Wage agreement: None	ref.		ref.		ref.	
Establishment/co-level bargaining	-0.018		0.082	*	-0.068	**
Higher level bargaining	0.008		0.165	***	-0.045	
Organisational change: Takeover/merger in last 3 years	-0.055	*	0.062		-0.063	***
TU/WC rep: WC	0.112	***				
Share ownership scheme: Yes	0.070		0.042		0.073	
Periodic check on training needs: Yes	0.053	*	0.053		0.044	**
Any off-job training in last year: Yes	0.040		0.047		0.052	
Legal support for TUs: Some			-0.044			
Threshold for WC representation: Less than 10 employee					ref.	
10-19					-0.045	
20-49					-0.155	***
50 or more					-0.121	*
Pseudo-R2	0.105		0.086		0.076	
Obs	5842		2898		2665	
* p<0.10, ** p<0.05, *** p<0.01						

Base: all workplaces with 10+ employees and an eligible representative

WC: Works council, TU: Trade union

Source: ECS 2009



Table 15: *Employee representative's influence on workplace issues*

	[1]		[2]		[3]		[4]	
	Country + workplace & rep characteristics		Dominant level of bargaining + workplace & rep characteristics		Legal support for TUs + workplace & rep characteristics (TU reps only)		WC rights + workplace & rep characteristics (WC reps only)	
	MEff	Sig.	MEff	Sig.	MEff	Sig.	MEff	Sig.
<b>Country:</b>	Yes		Yes		Yes		Yes	
<b>Sector: Manufacturing and energy</b>	ref.		ref.		ref.		ref.	
<b>Construction</b>	-0.032		-0.055		0.035		-0.061	
<b>Wholesale and retail</b>	0.072		0.100	*	-0.042		0.079	
<b>Hotels and restaurants</b>	0.234	**	0.113		-0.091		0.205	*
<b>Transport, storage and communications</b>	0.109		0.097		0.033		0.106	
<b>Finance</b>	-0.024		0.002		0.265		-0.031	
<b>Property and business services</b>	-0.068		-0.054		-0.062		-0.017	
<b>Public administration</b>	0.118	*	0.223	***	0.307	**	0.183	**
<b>Education</b>	0.160	**	0.234	***	0.393	***	0.201	**
<b>Health and social work</b>	0.147	*	0.166	*	0.394	***	0.094	
<b>Other services</b>	0.109		0.132	*	0.162	*	0.138	
<b>Type: Part of multi-site organisation</b>	-0.008		0.001		-0.041		-0.028	
<b>Size: 10-19 employees</b>	ref.		ref.		ref.		ref.	
<b>20-40</b>	0.021		0.007		0.007		0.002	
<b>50-99</b>	-0.054		-0.068		-0.042		-0.046	
<b>100-149</b>	-0.011		-0.028		-0.051		0.013	
<b>150-299</b>	-0.039		-0.090		-0.056		-0.056	
<b>300-399</b>	-0.001		0.007		-0.070		0.073	
<b>400+</b>	-0.065		-0.056		-0.035		-0.026	
<b>Public: sector</b>	0.028		0.069		0.113		0.088	
<b>Gender: workforce 1-19% female</b>	ref.		ref.		ref.		ref.	
<b>20-39%</b>	-0.064	**	-0.066		0.083		-0.098	
<b>40-59%</b>	-0.119	***	-0.115	**	0.043		-0.126	**
<b>60-79%</b>	-0.187	*	-0.169	***	0.003		-0.188	***
<b>80-100%</b>	-0.113		-0.143	**	-0.206	**	-0.046	
<b>Skill: workforce 1-19% high skilled</b>	ref.		ref.		ref.		ref.	
<b>20-39%</b>	0.003		0.003		-0.018		0.009	
<b>40-59%</b>	-0.081		-0.050		0.047		-0.143	*
<b>60-79%</b>	-0.068		-0.068		-0.029		-0.110	
<b>80-100%</b>	-0.102	*	-0.117	**	-0.095		-0.147	**
<b>Wage agreement: None</b>	ref.		ref.		ref.		ref.	
<b>Establishment co-level bargaining</b>	0.116	**	0.092	*	0.189	**	-0.022	
<b>Higher level bargaining</b>	0.089		0.073		0.105		-0.054	
<b>Regular training for rep: Yes</b>	0.206	***	0.240	***	0.122	**	0.200	***
<b>Whether employees support reps: Neither agree/disagree</b>	ref.		ref.		ref.		ref.	
<b>Agree</b>	0.078	*	0.095	**	0.147	**	0.093	*
<b>Disagree</b>	-0.121	*	-0.108		-0.224	**	-0.063	

	[1]		[2]		[3]		[4]	
	Country + workplace & rep characteristics		Dominant level of bargaining + workplace & rep characteristics		Legal support for TUs + workplace & rep characteristics (TU reps only)		WC rights + workplace & rep characteristics (WC reps only)	
	MEff	Sig.	MEff	Sig.	MEff	Sig.	MEff	Sig.
<b>Paid time off: Not sufficient</b>	ref.		ref.		ref.		ref.	
<b>Sufficient</b>	0.095	**	0.112	**	0.105	*	0.121	**
<b>Missing</b>	0.009		0.029		0.007		0.025	
<b>Info provision: not regular/detailed</b>	ref.		ref.		ref.		ref.	
<b>Regular and detailed</b>	0.435	***	0.453	***	0.417	***	0.499	***
<b>Missing</b>	0.317	***	0.323	***	0.242	*	0.458	***
<b>Mgr-rep relationship: not constructive</b>	ref.		ref.		ref.		ref.	
<b>Constructive</b>	0.059	**	0.051	*	0.054		0.035	
<b>Missing</b>	0.089		0.084		0.139		0.040	
<b>TU/WC rep: WC</b>	0.031		0.018					
<b>Dominant level of bargaining: National</b>			ref.					
<b>Workplace or company</b>			0.249	***				
<b>Sectoral + company</b>			0.162	***				
<b>Sectoral</b>			0.049					
<b>Legal support for TUs: Some</b>					0.098	**		
<b>WC threshold: 20 employees or more</b>							-0.144	***
<b>_cons</b>	1.742	***	1.692	***	1.644	***	2.017	***
<b>R2</b>	0.302		0.244		0.231		0.279	
<b>Obs</b>	5702		5375		2814		2561	
* p<0.10, ** p<0.05, *** p<0.01								

Base: all workplaces with 10+ employees and an eligible representative

Note: In contrast to previous tables, the estimates here represent the change in the influence score associated with movement between two categories, rather than the change in some probability. Nonetheless, positive values indicate that representatives of a specified type have greater influence (and negative values that they have less influence) than representatives of the type indicated by the relevant reference category.

Source: *ECS 2009*