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► **To cite this version:**

Hermes Augusto Costa, Pedro Araújo. European Companies without European Works Councils: Evidence from Portugal. *European Journal of Industrial Relations*, 2008, 14 (3), pp.309-325. 10.1177/0959680108094137 . hal-00570982

**HAL Id: hal-00570982**

**<https://hal.science/hal-00570982>**

Submitted on 1 Mar 2011

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## European Companies without European Works Councils: Evidence from Portugal

**ABSTRACT** ■ This article analyses the impact of the European Works Councils (EWCs) Directive in Portuguese multinationals. Though seven Portuguese companies are covered by the provisions of the Directive, only one EWC exists. Some of the main obstacles to the establishment of EWCs in Portugal are identified. The experience of the *Banco Espírito Santo* Group, where the only Portuguese EWC currently exists, is discussed.

**KEYWORDS:** European Works Councils ■ Portugal ■ trade unions

### Introduction

In September 1994, the Council of Ministers adopted the European Works Council (EWC) Directive. The Directive was enthusiastically welcomed by European trade unions, especially because it was the first EU Directive which prescribed employees' right to information and consultation, an issue over which unions had been campaigning for a quarter of a century. Theoretically, EWCs have both a regulatory and an emancipatory dimension. They are, on the one hand, the result of a *top-down* process of Community regulation (Miller, 1999), aiming to create a transnational information system that is adequate to the transnational structure of Community-scale companies or groups of companies. On the other hand, behind the establishment of the EWCs lies also the prospect of *bottom-up* action founded on the possibility (or aspiration) that they will become genuine European institutions acting as collective actors – where common interests are aggregated at supranational level and EWCs have managed to develop a common identity – instead of acting in a parochial and fragmentary way (Knudsen, 2003). This issue is all the more pertinent as we know that EWCs are not *naturally solidaristic organizations* (Stirling and Tully, 2004) and that the development of a European labour identity remains a challenge for the vast majority of EWCs (Whittall et al., 2007).

The aim of this article is to focus on the impact of the Directive in multinational companies (MNCs) based in Portugal. Of the seven companies which meet the specified employment thresholds (at least 1000 employees in the EU, including 150 or more in at least two countries), only one has established an EWC (which is mandatory only if 'triggered' by employee representatives). We report the opinions of trade union representatives and members of workers' commissions (*comissões de trabalhadores*), which indicate that their sceptical view of the benefits of the new institution is one of the main factors that have so far limited the establishment of EWCs. But to counterbalance this rather negative perspective we examine the experience of the sole EWC so far established within a Portuguese MNC, at the *Banco Espírito Santo* (BES) Group. We also consider the opinions of Portuguese representatives on EWCs in foreign MNCs. This will allow us to highlight some signs of greater, even if cautious, optimism which provides a contrast with the greater pessimism of the workers' representatives in Portuguese MNCs.

The Directive can be viewed as a compensation for the deficit in employee representation and participation at European level and within MNCs. EWCs might be though in principle particularly valuable for employee representatives in semi-peripheral countries such as Portugal, since the locus of decision-making on corporate policy may be geographically distant. Thus in theory, EWCs might constitute important structures complementing existing national institutional arrangements. This 'functionalist optimism' (Hancké, 2000: 37) figures to some extent in the comments of Portuguese representatives who have participated in EWCs. However, as noted above, employee representatives in Portuguese MNCs where EWCs have not been set up appear more sceptical as to the potential benefits. As will be explained below, this defensive attitude depends, among other factors, on the policies adopted by the major Portuguese trade union confederations. These tend to be inspired by short-term national and local goals, which in turn limits the construction of genuine labour internationalism (Costa, 2005). Additionally, the right to information and consultation provided by EU legislation is not regarded as an added-value, insofar as it is already laid down in the sections of the Portuguese Constitution (Articles 54 and 55) which regulate both workers' commissions and trade union delegates (*delegados sindicais*).

## EWCs in Portugal

In Portugal, there is a deficit of information on the role and objectives of EWCs. Almost ten years after the Directive was transposed into domestic law (June 1999), Portugal appears to be still going through a learning

process. There are few training opportunities for EWC members and little attempt to share their experiences in a trade union context. The significance of EWCs tends to be discounted, both within the main structures of workers' representation (trade unions and workers' commissions) and among academics themselves. The lack of information on EWCs extends to the main government agencies: the Portuguese National Institute for Statistics (*Instituto Nacional de Estatística*) and the Ministry of Labour and Solidarity (*Ministério do Trabalho e da Solidariedade Social*). To some extent this reflects a more general void to be filled on the role of southern Europe in the development of EWCs.

Systematic research into EWCs in Portugal is therefore urgently required. This article presents some results from a research project that was recently concluded at the Centro de Estudos Sociais of the Universidade de Coimbra.<sup>1</sup> The aim is to provide a detailed analysis of the situation, giving special attention to four main topics of research: first, the state of play regarding the establishment of EWCs in Portugal; second, an analysis of the agreements establishing EWCs in which Portuguese representatives participate; third, the experiences of Portuguese employee representatives in EWCs; and fourth, management views of EWCs.

The first theme was addressed through systematic analysis of the *European Works Councils Databases* (Kerckhofs and Pas, 2004, 2006); these enabled us to draw a quantitative picture of the application of the Directive in multinationals with both their head office and operations in Portugal. Underlying the development of the second research theme – the study of the content of agreements – was the assumption that the negotiation of these agreements constitutes an important moment in the *life* of an EWC. On the one hand, the terms of the agreement may limit its functioning in the future; on the other, the negotiating process may immediately bring to light the power relationships which come into play once the EWC is established. However, we share the view held by some authors that the letter of the agreements and the dynamics of EWCs once established do not necessarily coincide (Telljohann, 2005; Waddington, 2003).

The third theme – the evaluation of the experiences of Portuguese representatives on EWCs, as well as the attitudes of workers' representatives in Portuguese MNCs which did not set up an EWC – was addressed through a series of semi-structured interviews. Finally, the fourth research issue – management views on EWCs – was studied by means of a survey. Managements in companies with Portuguese representatives in EWCs were asked their views on the following topics: the process of establishing the EWC; the participation of the management representatives in its activities; their assessment of the role and impact of the EWC; and the main advantages and limitations of the institution.

## MNCs Operating in Portugal and Portuguese EWC Representatives

According to the *European Works Councils Database* (Kerckhofs and Pas, 2006), there are 2204 companies covered by the Directive, of which 615 have operations in Portugal. The headquarters of these 615 MNCs are geographically concentrated: 110 are in the USA, 105 in Germany, 91 in France and 78 in the United Kingdom.

Just over half (335) of the 615 companies have established EWCs.<sup>2</sup> In terms of location of headquarters the distribution is roughly proportional to the number of firms covered by the Directive: the USA (63), Germany (54), France (53) and the UK (44) are the main home countries. Of the new Member States that joined the EU in 2004 and 2007, only Malta and Poland have MNCs with operations in Portugal and only the Polish company is covered by the Directive, although it has not established any information and consultation mechanism. In sectoral terms, the 335 EWCs are based primarily in metal-working (34.3%) and chemicals (23%). Most of the remainder are based in the hotel and catering industries (10.4%), finance (8.1%), building and woodworking (6%) and miscellaneous services (5.4%).

Finally, the number of Portuguese representatives elected or appointed to EWCs provides a clearer picture of Portuguese involvement. These representatives were identified from the EWC agreements in the 2004 and 2006 *European Works Councils Databases* (Kerckhofs and Pas, 2004, 2006). Companies where Portuguese representatives are not mentioned in either the databases or the agreements have been excluded from this study. Where the agreements have been revised or reformulated, the number of representatives considered was that of the most recent agreement. Given these criteria, we identified 201 representatives in 163 EWCs.

As Table 1 shows, the main home countries of MNCs with Portuguese representatives are the USA (42), France (39), Germany and the UK (27 each). In sectoral terms, they are found primarily in metal-working (63 representatives in 55 EWCs), chemicals (37 representatives in 36 EWCs), financial services (30 representatives in 16 EWCs); hotels and catering (27 representatives in 20 EWCs) and textiles (13 representatives in six EWCs).

## Obstacles to the Establishment of EWCs in Portuguese MNCs

As noted above, there are seven Portuguese-owned MNCs which meet the employment threshold of the Directive.<sup>3</sup> Of these, only the BES Group has established, in 2003, an Information and Consultation Procedure which was converted into an EWC in 2005. The other six

TABLE 1. Portuguese EWC Representatives, by Country of Ownership

		N	%
EU-15	Austria	1	–
	Belgium	4	2
	Denmark	5	2
	Finland	3	1
	France	39	19
	Germany	27	13
	Holland	7	3
	Italy	7	3
	Portugal	10	5
	Spain	4	2
	Sweden	5	2
	UK	27	13
EFTA	Switzerland	14	7
	Australia	1	–
Non-EEA	Japan	3	1
	South Korea	1	–
	Singapore	1	–
	USA	42	21

Source: Kerckhofs and Pas (2006).

MNCs are *Caixa Geral de Depósitos* and *Millennium BCP* (finance), *Corticeira Amorim* (which manufactures cork-based products), *Sonae Indústria* (wood-based products), the cement manufacturer *Cimentos de Portugal-CIMPOR* and *Galp Energia-Petrogal* (petrochemicals).

To explore why no initiative had been taken to establish an EWC in these companies, we conducted interviews between September and December 2006 with members of workers' commissions and trade union representatives. Their responses allowed us to identify several factors inhibiting the constitution of EWCs. It is important to note that each of the factors identified applies to more than one company but not necessarily to all of them. According to our analysis, it is distinctive *combinations* of these factors that obstruct the creation of EWCs in Portuguese MNCs.

As indicated previously, most workers' representatives in Portuguese MNCs see little need to establish an EWC. This is partly a result of the fact that the Portuguese trade union confederations (to which those representatives are directly or indirectly connected) fail to assign much priority to EWCs. There are two main confederations, the *Confederação Geral dos Trabalhadores Portugueses* (General Confederation of Portuguese Workers, CGTP) and the *União Geral de Trabalhadores* (General Workers' Union, UGT), and these have conflicting opinions

on EWCs. The CGTP – which was historically anti-EU – has always taken the view that EWCs are accorded too much significance in the European trade union movement, in the light of their limited powers and functions. The position of the UGT is more positive, perhaps because of its stronger tradition of inclusion in transnational trade unions organizations. It affiliated to the International Confederation of Free Trade Unions (ICFTU) in 1979, and to the European Trade Union Confederation (ETUC) in 1983. Because of its communist background, the CGTP was admitted to the ETUC only in 1994 and is not yet affiliated at international level.

The CGTP gives primary attention to its penetration and representativeness within companies (not only MNCs but also in small- and medium-sized enterprises, which account for around 90 percent of Portuguese employment). It is concerned above all with developing directly representative structures: *delegados sindicais* (which represent the trade union members in the company) and *comissões de trabalhadores* (which represent the entire workforce). In general, the number of worker representatives who identify with or are affiliated to CGTP structures is considerably higher than for the UGT. However, banking is one of the few sectors where the UGT is predominant, and the BES Group EWC was initiated by a majority of UGT-affiliated unionists.

We distinguish two main sets of obstacles to the formation of EWCs: one associated with the social and economic background; the second, more related to the features of the Portuguese industrial relations system.

### **Social and Economic Background**

*National Priorities Take Precedence Over the Establishment of EWCs.* According to the interviewees, this is the major obstacle to the constitution of EWCs. Faced with many problems at local and national levels, the establishment of EWCs is relegated to second place. The defence of employees at workplace level is the priority, and this priority is reinforced by the fact that the elected bodies are the direct representatives of their own workers and are obliged to respond to their wishes.

If supranational pressures on Portuguese multinationals might suggest the need for EWCs to coordinate cross-national responses, the reverse is in fact the case. Defending ‘their’ employees’ interests becomes more aggressive at local level. As Weston and Martínez Lucio (1997: 766) highlight, fostering competition between locations has become integral to management strategy:

the constant cross-referencing . . . by management within companies, on matters related to production and human resource management, is inspired by the notion that employees will feel that disinvestment is a likely prospect should they not react to the ‘higher’ levels of activity in foreign plants.

This is more likely to hinder than amplify unity and solidarity.

The possibility of EWCs acting as collective actors, instead of acting in a fragmented way, depends on a diversity of conditions and circumstances (Knudsen, 2003). In some cases, EWCs have developed a common identity by aggregating different interests at supranational level; in many others, conflicting national interests override international solidarity (Hancké, 2000). In our interviews with the representatives of Portuguese employees, it was clear that economic imperatives and inter-plant competition are obstacles to the development of unity and solidarity. What participation in EWCs has made obvious to Portuguese representatives is that the global mobility of MNCs represents, in extreme form, the volatility of local jobs. Despite the expectations generated by EWCs and their possible success when *in operation*, it is a fact that when insecurity shapes the background it becomes more difficult to meet the challenge of unity and solidarity, in so far as the defence of local interests and employees gains in aggressiveness.

*The Privatization Processes.* The privatization processes affecting public and semi-public companies, in addition to the other problems they entail, contribute to a decrease in the ‘participation culture’ within the company. The admission of new employees to the companies, under new contractual conditions, constitutes in this context a considerable obstacle to participation. In our research we noticed that all the Portuguese representatives in EWCs have permanent employment contracts. It seems plausible to infer that the predisposition to participate in EWCs, as with participation in other structures of worker representation, varies directly in accordance with the stability and security afforded by the employment relationship. As a member of the *comissão de trabalhadores* at CIMPOR commented:

The various phases of privatization led to successive job reductions and alterations in the organization of work . . . It would be very good for us to have young employees participating, but the young employees who join CIMPOR are fixed-term employees and, therefore, don’t get involved . . . Other young people who join the company have university degrees and hold posts of responsibility; they’re given objectives to fulfil, and, at this level, there’s some prejudice against being a member of a trade union. The privatization of the company did nothing to improve workers’ participation. EWCs also suffer from this situation.

*Conflicts between Employers and Worker Representation Bodies and Trade Unions.* As is generally recognized by the Portuguese trade union organizations, workers’ participation is lower at company level, a situation which is even more apparent when compared with the rest of Europe. In general, it is frequent to find ‘the deficit of democracy in the work place, where the



rights and union practice of workers are arbitrarily curtailed or repressed by the employers' (CGTP, 2004: 118). The low level of labour participation sometimes goes hand in hand with a culture of subjection that is certainly a remnant of the dictatorship under which Portugal lived during almost half the 20th century, and the trade union law, passed in 1975 soon after democracy was restored, has not yet erased this (Costa, 2006). In some cases, workers' representation bodies or trade unions organizations are non-existent at company level. This has been particularly emphasized by trade union officials in the construction and woodwork sectors, who point to the absence of trade unions or even *comissões de trabalhadores* in *Sonae Indústria* as a reason for the lack of an EWC. However, a management representative, contacted by phone and by email (January 2007), insisted that this was not the company's responsibility and should instead be attributed to the absence of a tradition of trade union and labour organization in Portugal. The absence of effective employee organization in these MNCs means they lack a key prerequisite for the establishment of EWCs.

### **The Portuguese Industrial Relations System and Relationships between the Main Actors in Employee Representation**

*Proximity to the Head Office Diminishes the Need for an EWC.* Although it might facilitate the establishment of EWCs, proximity to the head office seems to constitute a disincentive. It means that employee representatives already have access to company information, and in the Portuguese case the right to such information is already enshrined in national law. As one representative commented:

The issues that an EWC in CIMPOR would approach are not very distant from the issues that the workers' commission has been discussing with central management. In other words, the reason to establish a different forum of participation lies in the possibility to address different matters. Here, we hold regular meetings with central management and discuss issues related to other countries, which means that we already deal with cross-border information. This may be one of the aspects that results in our not considering an EWC to be a priority.

Portuguese representatives seem unwilling to lose what Lecher et al. (1999: 222) call their 'home advantage'. Proximity to the head office guarantees them access to information and gives them a negotiating advantage with local management, reinforcing the tendency identified by Waddington (2006b) for home-country representatives to block the establishment of EWCs on the grounds that these could diminish their privileged influence within the company.

In contrast, Portuguese representatives participating in EWCs in foreign MNCs hold a different view. Participation in a cross-national representative structure is viewed as a source of added value, since the

exchange of experiences between EWC members reveals the existence of a wide variety of local working conditions. This makes Portuguese representatives perceive EWCs as a means through which working conditions may be levelled to their advantage. During the interviews with these representatives, we noted that they look on EWCs mainly as mechanisms for transferring their demands from a local to a transnational level, as a means of access to a higher decision-making platform, and as additional sources of pressure on local management. Nevertheless, Portuguese representatives equally recognize that representatives from company headquarters have privileged access to information and that this access represents an important factor towards imbalance in participation, especially when the information is not shared in a transparent way among EWC members.

Notably, select committees have been gaining in strategic importance in EWCs. Waddington (2006a) shows that select committee members and other office-holders are more satisfied than other EWC members with the quantity and quality of the information they receive; there is a division between *insiders* and *outsiders* (Waddington, 2006b). This reinforces the existence of differentiated and asymmetrical participation within EWCs (Stirling and Tully, 2004), and emphasizes the importance of power relations in a body which should, in principle, be guided by horizontal equality in its relationships.

*Alternation in the Leadership of Worker's Representative Organizations.* Although it is often seen as an essential democratic principle, the alternation in the leadership of workers' representative organizations appears as a justification for not placing the 'EWC issue' high on the agenda. Portuguese representatives on EWCs acknowledge that this may hinder their functioning, as the replacement of a Portuguese representative on a national representation body half-way through their EWC mandate may break the connection with this transnational institution.

*The Lack of Capacity to Take on Duties Beyond Those Already Performed.* This is a further obstacle, since the time they are able to devote to representative functions is often limited. As one representative commented, 'people have better things to do! They don't want to get involved. And there's the tendency to let things fall on the same people over and over again. That's really a problem.'

Portuguese representatives are generally elected or appointed to EWCs as members of other structures of representation at national company level: trade unions and workers' commissions. In the case of BES Group, for example, this dual membership proved to be fundamental, not only for the establishment of the EWC, but also for the dynamic which it later gained. Nevertheless, what is equally clear from our interviews is that this dual membership would have more consequences if the representatives

had the opportunity to devote themselves full-time to the representative structures. This is not, however, the case for the majority of representatives whether nominated by trade unions or workers' commissions. This reflects a contrast between Portugal and many other countries, such as France or Germany, whose representatives are seen as more *professional*.

*Conflicts between Workers' Commissions and Trade Unions.* At the heart of this conflict lies a differentiated view of the role which workers' commissions and trade unions should play in the establishment and subsequent operation of EWCs. On one side are those who believe that workers' commissions should be primarily responsible, because they represent the whole workforce of the company. On the other are those who insist that unions should predominate; in some sectors we interviewed representatives who were fighting for a stronger 'unionization' of their EWCs. In reality, the weight of trade union representatives in EWCs is far greater (and a large number of workers' commissions are in fact influenced by the ideological orientations of trade unions) than that of workers' commissions, although there are also cases where the union representatives are simultaneously members of the commissions. At times, the existence of several trade unions with distinctive sensitivities is also a source of additional conflict.

## **The Banco Espírito Santo Group EWC**

The BES Group has activities in some 20 countries and employs over 5000 staff. However, some 4500 of these are in Portugal and 400 in Spain.<sup>4</sup> As the one Portuguese multinational where an EWC was established, BES deserves in-depth study. Two interconnected aspects will be highlighted: first, the initial conditions which permitted the establishment of the EWC; second, the features that most decisively contribute to its current activity.

### **Conditions for the Emergence of the BES Group EWC**

The possibility of establishing an EWC was first suggested by the workers' commission after the 2000 workplace elections. It cooperated with both Portuguese and Spanish trade unions to provide the impetus for the creation of a Special Negotiating Body (SNB). Negotiations resulted in the Information and Consultation Procedure (ICP) in July 2003, formalized as an EWC in March 2005, with equal representation for the commissions and the unions. From the outset, both UNI-Europa and the ETUC were informed of the process by the Portuguese trade unions, but they took no part in the negotiations. The key factors that facilitated the adoption of the initial agreement are the following.

*A good relationship between workers' representatives and BES Group central management.* In its negotiations with the SNB, management

suggested an agreement to establish an ICP, with the option for it to function in effect as an EWC.

*A good relationship between the BES Group workers' commission and the Portuguese trade unions.* This good relationship stemmed from the fact that some workers' commission members were simultaneously trade union representatives. In this context, the importance of personal relationships and trust between the various actors proved to be a fundamental requirement for the establishment and subsequent functioning of the EWC. As one of the EWC members commented,

I was a member of the workers commission at the same time I was on the executive of the *Sindicato dos Bancários do Centro* [Bank Employees Union of the Central Region of Portugal]. In other words, I held two positions, distinct but complementary: an internal one at BES Group and another at an overall level . . . It is only possible to make progress with a certain kind of undertaking, notably at union level, when people hold more than one position of responsibility at the same time.

As happens in other institutions, EWCs are dependent on the individual role played by key actors. As the President of a German-based EWC points out, learning to operate an EWC is also learning the art of diplomacy (Namuth, 2005).

*A good relationship between the BES Group workers' commission and Spanish trade unions.* The EWC benefits from the geographical proximity of Portugal and Spain, the only foreign BES Group operation with a significant number of employees. The cooperative relationship was crucial for the constitution of the EWC, with ten Portuguese representatives and one from Spain.

Thanks to our good relationship with the Spanish unions – the Spanish UGT and the *Comisiones Obreras* – we managed to take advantage of a meeting held in September 2001 . . . to trigger the negotiations. The three Portuguese unions and the representatives of these two major Spanish unions then signed a petition for the beginning of negotiations. Negotiations took place, the SNB was set up . . . and we signed the [ICP] agreement on 16 July 2003.

Subsequently, when BES acquired the Spanish bank *Inversión* and shifted its strategy in Spain, this partnership proved indispensable to its increasing importance and dynamic, including the conversion of the ICP into an EWC. The bilateral relation between Portugal and Spain tends, however, to make the EWC more Iberian than European.

### **The Dynamism of the EWC**

A number of factors make the EWC an effective and dynamic body.

*Its activities extend beyond the 'rigid boundaries' of the agreement.* This is one of the most marked features of the functioning of the EWC. The terms of the formal agreement match the minimum requirements stipulated

by the Directive. However, the EWC is not in practice restricted by these terms, and has been able to hold frequent meetings with central management and to meet employees in the Group's operations abroad who are not represented. This is in line with the finding of other researchers that the letter of the agreements and the actual practice of EWCs do not necessarily coincide (Telljohann, 2005; Waddington, 2003).

As noted above, when the EWC was still simply designated an ICP, the BES Group began the acquisition of the bank *Inversión*. Management envisaged job reductions in Spain and the integration of both Portuguese and Spanish workers under new contractual conditions. The EWC came to play a successful *mediation* role between central management and the Spanish trade unions, which negotiated with central management exclusively through the EWC. According to the Portuguese EWC representative, the dialogue and conciliation of interests were only possible because of the mediation of a supranational and more *flexible* structure such as the EWC.

*The acquisition of information and development of a holistic outlook on the Group's activities.* The experience of the BES Group EWC is further evidence that access to information tends to shift bargaining demands and outcomes in qualitatively new ways, which suggests that EWCs might indeed exert an important impact on the balance of internal power relations and on employee empowerment (Müller and Hoffmann, 2001; Weston and Martínez Lucio, 1997).

*Proactive rather than merely reactive.* The EWC's proactivity involves, for example, shaping the agenda of the meetings between workers' representatives and central management. In this regard, in-depth knowledge of the Group's activities and strategies is crucial. It is at this precise point that the *cognitive dimension* of the EWC – the ability to improve its knowledge of the Group's structure and activities – and their *practical capacities* – the possibility actually to achieve something – will converge (Didry et al., 2005).

Furthermore, it has been acknowledged that the strengthening of EWCs should involve continuous action both in *times of crisis* (restructuring, mergers, take-overs) and in *times of stability* (Béthoux, 2004). In the first case, the EWC should mobilize and articulate the responses of the different actors within the various national arenas. In the second, their actions should anticipate company strategies. According to Moreau (2006), EWCs possess a natural vocation to intervene, for example, in situations where undertakings are subject to restructuring. As the sole company-level body for transnational representation, their composition and organization enable them to combine and coordinate the practices and actions of the various representatives of European workers. EWCs are thus part of a 'Europeanization' of labour relations, which reflects the emergence of new synergies between social and economic actors.

*Maximizing networks and informal contacts* which, combined with ‘trips to the source’, that is, to the company’s national and international branch offices, facilitates access to ‘credible information’ upon which the EWC may base its action. This is a crucial issue since information and consultation, the two pillars on which the Directive is founded, are still widely debated in the literature on EWCs. This is a result since many EWC researchers question whether the Directive has in fact improved the extent, quality and timeliness of information and consultation for employee representatives.

*The accumulated experience of EWC members* both in terms of its functioning and the accumulation of social capital. The first enables workers’ representatives to maximize their potentialities for influence, while the second favours the development of networks among the various representatives.

*The mediation role fulfilled by the EWC* between central management, Portuguese and foreign worker representation bodies or trade union organizations and workers, notably over matters likely to affect workers’ interests considerably, such as mergers and take-overs. As noted above, the role of the EWC during the *Inversión* acquisition enhanced its legitimacy. The interviews conducted with Portuguese representatives from MNCs based in foreign countries demonstrate that the ability of an EWC to deal successfully with a potential crisis is crucial to turn it into a *success story* (Hyman, 2000). This was clearly what occurred in the *Inversión*, as a member of the EWC explained:

In 2004, the EWC faced its first challenge, a major operation in Spain. Because the EWC is a supranational structure we were requested by the Spanish trade unions to collect the necessary information and to follow up the operation. This would not be possible at any other negotiating table. No other structure has the capacity to have all these worker representation bodies and trade unions represented simultaneously . . . We met leaders from all trade unions represented at BES . . . Why? Because they all understood that the setting up of this EWC had come at the right time to defend, on the one hand, the existing staff at BES and, on the other, the new workforce from *Inversión*. BES Group central management also understood that this was a structure that would create obstacles if certain situations were to arise, that we would be paying close attention to the unfolding of the operation. What is important here? To preserve the rights of those who are here and to safeguard the rights of workers coming from the other company. Because we know that in cases of mergers or take-overs in the banking sector there is a great number of workers whose jobs have an expiry date.

*The positive feedback between EWC members and workers.* The EWC’s visibility results, to a great extent, from the information disseminated by a *Newsletter* specially designed for that purpose.

## Final Remarks

As explained in the analysis presented earlier, the case of the BES Group EWC constitutes an 'isolated island' at present. In fact, EWCs continue to be viewed with scepticism by the representatives of workers' organizations in most Portuguese companies and are not a practical priority for the time being. EWCs are viewed as incapable of remedying the problems currently affecting workers within the framework of economic globalization (restructuring processes and unemployment being the most commonly cited here). Furthermore, the information potentially acquired through the participation in EWCs is not regarded as an added value, and the decision-making process is perceived as a prerogative of central managements that will remain so independently of the greater or lesser capability of any given EWC to intervene.

Nevertheless, the representatives of Portuguese MNCs do recognize, at least theoretically, some positive aspects to EWCs: the achievement of more in-depth knowledge about the company; the contact with and understanding of employment conditions in different countries; the exchange of experiences with different worker representation bodies and trade union organizations that are confronted with similar problems; the creation of conditions to attenuate the effects of restructuring; the development of transnational dialogue and transnational action; and the creation of international solidarity.

In addition to being one of the oldest aspirations of the labour movement, this challenge of international labour solidarity is perhaps the greatest one, as it combines with several other challenges. However, the results underlying international solidarity are not always what might be expected. For example, the only GM-Europe factory in Portugal (at Azambuja) was closed in December 2006. This was regarded by workers' commission members and trade union representatives in Portuguese MNCs – and also by several Portuguese members of EWCs in foreign multinationals – as a sign that EWCs lacked real power. And this was despite the wave of protests which paralysed several GM plants in June 2006 (the 'Euro-Strike', as it came to be known), one of the few examples of cross-national strike action; and despite the transnational agreements on restructuring negotiated between the EWC and GM becoming a point of reference in other European MNCs (Da Costa and Rehfeldt, 2007). Nevertheless, for the Portuguese representatives on the GM EWC (whom we interviewed a month before the closure of the plant), the role of the EWC deserved praise, as it prompted solidarity actions which transcended the competing interests of the transnational labour force in the GM Group.

In general, we might say that the representatives of Portuguese MNCs appear divided between the urgency of national issues and the inadequacy

of their representation mechanisms, when faced with a change in the scale of multinational operations. Despite being relatively recent, the experience of the EWC from BES Group may serve as a reference not only for the financial sector but for other sectors as well. Both the evolution of this EWC and the experience of Portuguese representatives in other EWCs has enabled us to draw a conclusion about the Portuguese case: there is an urgent need to set up a network of Portuguese representatives at EWCs both within and between the various sectors, for the purpose of exchanging experience, discussing possible joint strategies and maximizing the positive effects provided by EWCs.

Moreover, it remains urgent for information about EWCs to be disseminated among the workers' representatives in Portuguese MNCs. Learning from 'good practice' (and it should be noted, for example, that the GM EWC was seen by its Portuguese representatives as an example of good practice, even though it failed to prevent the closure of their plant), instead of fruitlessly bemoaning the unsuccessful cases, is probably the best way to convert the pessimism of Portuguese workforce representatives towards EWCs into a more optimistic attitude.

## ACKNOWLEDGEMENTS

The authors would like to thank the anonymous referees and the editor of the journal for their insightful comments and suggestions concerning the earlier versions of this article.

## NOTES

- 1 The research was undertaken between June 2005 and September 2007. It was conducted as part of the project *Os Conselhos de Empresa Europeus: entre a responsabilidade social da empresa e a participação laboral* (European Works Councils: between corporate social responsibility and labour participation' (POCI/SOC/59689/2004), funded by the *Fundação para a Ciência e Tecnologia* (Portuguese Foundation for Science and Technology).
- 2 There are actually 343 EWCs, since a few MNCs have created separate bodies for subsidiary operations. There are 482 actual agreements, since some companies have negotiated more than one.
- 3 The *European Works Councils Database* lists nine MNCs based in Portugal and covered by the Directive. However, two are included in error, *Pão-de-Açúcar* and *Companhia Ibérica de Distribuição* (both in the retail distribution sector). Since 1996, both these undertakings have been subsidiaries of the French Group *Auchan*.
- 4 It is notable that Spain appears to be the only country in which all Portuguese multinationals have undertakings: the integration of Portugal into the EU has primarily involved economic relations with its larger neighbour, that is, an Iberianization of its economy. Reis and Baganha (2001: 21) state that 'at a time when the emblematic term is globalization,



the economic space of [Portugal's] foreign relations is increasingly more European than global and increasingly more Iberian than European'.

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