

# European Unions and American Automobile Firms: From European Works Councils to World Councils?

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## **Abstract**

This paper analyzes two of the most advanced developments in industrial relations at the European level in the automobile industry. The first one is the evolution of the role of European Works Councils from information and consultation rights toward collective bargaining, as has been the case at the European subsidiaries of Ford and General Motors. The second one is the tendency to expand the representation of workers beyond the frontiers of the European Union by creating World Works Councils, as has been the case in such automobile firms as Volkswagen, Renault, and Daimler Chrysler.

This paper, based on our recent comparative study (da Costa and Rehfeldt 2006), analyzes the collective action of European Works Councils (EWCs) in the American automobile firms in Europe. It shows that the automobile industry presents two of the most advanced developments in industrial relations at the European level. The first one is the evolution of the role of EWCs from the mere practice of information and consultation rights toward collective bargaining with the management of the firms, as has been the case at the European subsidiaries of Ford and General Motors. The second development is the tendency to expand the representation of workers beyond the frontiers of the European economic space by creating World Works Councils (WWCs), as has been the case in such automobile firms as Volkswagen, Renault, and DaimlerChrysler.

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The acknowledgement of EWCs by the American automobile firms has been a major achievement since those firms, similar to their European counterparts, were strongly opposed to the project of a EWC Directive before it was adopted in 1994. Their negotiations at the European level show the evolution in the union and management attitudes that made such results possible. Will they set a trend that will spread to other industries in Europe?

### **The Automobile Industry**

The automobile industry operates on a global scale, and its international characteristics have increased in recent years through mergers, alliances, increased foreign direct investment, and trade. The industry includes both automobile manufacturers and suppliers. There are all sorts of suppliers, from small concerns to large transnational businesses, but there are only a few large transnational manufacturers. The top seven car manufacturers are DaimlerChrysler, Ford Motor, General Motors (GM), Nissan Motor, Renault, Toyota Motor, and Volkswagen. Their rank varies according to whether one takes into account the total amount of sales, the number of units produced, or their stock exchange value.

The overall situation in the automobile industry is one of overproduction and restructuring with enormous consequences in terms of jobs and industrial relations. This situation differs, however, across regions and countries. The regional level remains important, with GM and Ford retaining the first ranks in North America, Toyota in Japan, and a more complex situation in Europe, with several manufacturers and a slight advantage to Volkswagen.

Europe is the largest regional market, with over one third of the regional sales in the world. At the beginning of the millennium, the automobile industry employed around 12 million people in Europe, which represented about 8 percent of the manufacturing jobs, but the situation varied widely across European countries (European Industrial Relations Observatory 2004). The overall trends in employment have been downsizing and a relative shift in employment from manufacturers to suppliers (IMF 2004). These trends bring to the fore the role played by the unions and the institutions of worker representation at the national and European levels in cases of restructuring and relocation.

### **Industrial Relations and European Works Councils**

Industrial relations in the automobile industry in Europe are characterized by a high level of unionization. The rate of unionization in the auto industry is superior to the overall national unionization rate in almost all the European countries, and it is even higher among auto manufacturers compared to the suppliers, which tend to be, on average, smaller and more

recent concerns. Unions are coordinated at the European level through the European Trade Union Confederation (ETUC) and at the automobile industry level through the European Metalworkers' Federation (EMF), which also coordinates the EWCs—which in the heavily unionized auto industry are almost exclusively composed of union members.

The Directive on European Works Councils was adopted in 1994. It grants information and consultation rights to workers at the European level. An EWC brings together worker representatives from the countries of the European Economic Space (EES)—the European Union (EU) countries plus Norway, Iceland, and Liechtenstein—in which a transnational company with more than 1,000 employees in the EES and at least 150 in more than one EES country has facilities for purposes of information and consultation with the management at the European company level. Today EWCs cover over two thirds of the employees concerned; they exist in most large companies but the smaller ones have yet to establish them. EWCs vary widely in their functioning. Some are symbolic, and most have a limited impact in company decisions, of which many are merely informed and not always in due time. Others, however, play a more significant role, particularly in the automobile industry (Rehfeldt 2002, 2004).

Even though European social policy generally encourages “social dialogue” between the “social partners,” the Directive on European Works Councils grants information and consultation rights to workers at the European level but does not say anything about collective bargaining at the company level in Europe. The signature of collective bargaining agreements at the European level at Ford and GM have been an initiative of the social partners, that is, the EWCs, the unions, and the management of the companies.

Historically in many European countries, the automobile industry has been a stronghold of unionism and a pioneer of worker demands and industrial relations arrangements, which were later adopted by other industries at the national level. The two innovations stemming from the EWCs in the automobile industry, which we will now present, tend to show that the industry continues to play a pioneering role at the European level as well.

### **The European Agreements at Ford**

The first agreement negotiated by an EWC in the automobile industry was signed in January 2000 with the management of Ford; it was signed in the context of the Visteon spin-off and dealt with the protection of the ex-Ford workers transferred to Visteon. The protection is quite similar to that contained in the United Auto Workers (UAW) Ford 1999 Agreement: the workers benefit from the same wages and conditions as the Ford workers, they keep their seniority and pension rights, and they can reintegrate with Ford.

The agreement also contains commercial and subcontracting clauses between Ford and Visteon. The EWC is in charge of the application and follow-up of the agreement together with Ford management. The agreement was renegotiated in 2003 at the occasion of Visteon's "Plan for Growth."

So far, despite employment reductions, there have been no plant closures among the sites transferred to Visteon, and the experience, judged in a positive way by management, the EWC, and the unions, paved the way to other agreements also signed at the European level: the Getrag Ford Transmissions (GFT) agreement of 2000 and the International Operations Synergies (IOS) agreement of 2004 also protect the personnel concerned during restructuring along the lines of the Visteon agreement; the "Memorandum of Understanding" in 2000 and the revision of the EWC internal rules in 2002 clarify the conditions of bargaining at the European and national levels; finally, the EWC has also signed an agreement on "Social Rights and Social Responsibility" in 2003, similar to the international framework agreements sponsored by the International Metalworkers' Federation (IMF) but with an application limited to Europe.

### **The European Agreements at GM**

The second European agreement negotiated by an EWC in the automobile industry concerned the alliance between GM and Fiat. It was signed in May 2000 between the GM EWC (called European Employment Forum) and GM management and had been negotiated in cooperation with IG Metall (on behalf of the EMF) and after coordination with the Fiat EWC. It protected GM employees transferred to joint ventures of GM and Fiat. Existing collective agreements stayed in force. In the case of the failure of the GM-Fiat alliance, which actually took place, employees kept the right to return to their former employer.

The second GM EWC agreement on industrial restructuring was signed in March 2001. It was negotiated after the announcement by GM management in December 2000 of the reduction of 10,000 jobs worldwide, of which 6,000 were to take place in Europe, including the closing down of the GM Vauxhall plant in Luton (UK). Unlike previous cases of job cuts, which had led to competing national employment security agreements, this time transnational solidarity was established through the EWC. The EWC decided on a mixed strategy of mobilization and negotiation. On January 25, 2001, the employees of nearly all the European GM plants participated in a common strike and "action day" against plant closures. This put pressure on the negotiations that were taking place in Zurich between the EWC and the management of GM Europe and finally led to the agreement signed in March 2001. The agreement stipulates that management will avoid forced

redundancies and will work with local employee representatives to achieve this goal. Negotiated alternatives may include part-time work programs, “voluntary severance programs,” and early retirement programs, as well as transfers to other GM locations. Vehicle production (though not car production) was to be maintained in Luton. This European framework agreement was implemented at the national level, making it legally binding, but the GM EWC continued to be the appropriate forum to discuss restructuring in its transnational dimensions.

This agreement has been completed by a third framework agreement between GM management and the EWC, signed in October 2001. This new agreement became necessary after the announcement, in August 2001, of further job cuts, known as the “Olympia plan.” This plan aimed at reducing capacities in the GM Opel, Vauxhall, and Saab plants. During the negotiations, both sides came to a “common understanding of important principles,” which meant that the EWC accepted the objectives of the Olympia plan—including measures to improve productivity levels to “world-class benchmark standards,” as well as the generalization of “best practices”—but that management committed itself to implementing the capacity adjustments without plant closures and without forced redundancies. The adjustments of the employment levels would take place in “socially responsible ways,” such as early retirement, “severance programs,” etc.

Yet, in September 2004, GM management announced its intention to close a production site without informing the EWC. The EMF called a meeting of its affiliates and established a “European trade union coordination group” composed of members of the EMF secretariat, representatives of the national unions involved, and members of the GM EWC, which adopted a common action program and sent a letter to GM management asking for negotiations. On October 12 GM management publicly announced its intention to cut 12,000 jobs in Europe. Two days later the EMF coordination group called for a European day of action to take place on October 19, in which 50,000 GM workers participated. An agreement was finally signed in December by the management of GM Europe, the EMF, the national unions, and the GM EWC (EMF 2005). While recognizing the economic problems faced by GM and its need to reduce costs and jobs, the agreement reaffirms the “no forced redundancies” and “no plant closures” principles of the previous agreements. The burden of restructuring is to be shared by all the sites and restructuring is to be constantly negotiated with representatives of the employees.

The European agreements at Ford and GM differ in scope and style of industrial relations, which have been more conflicting at GM. The problem of overcapacity rather than that of relocation or off-shoring to countries with

lower wage costs has facilitated the union strategy of avoiding whipsawing by “sharing the burden,” according to the expression of the president of the GM EWC. The union implication is stronger in GM with the EMF now being recognized as a partner to European-level negotiations and having signed the latest GM agreement.

### **The New World Works Councils**

In some companies with important production sites outside the EES, the unions wished to include workers’ representatives from these sites into the EWCs. In some EWCs, representatives from outside the EES were actually accepted as “observers.” Volkswagen played a pioneering role in this movement. Volkswagen had been the first automobile company to set up an EWC on a voluntary basis in 1990, long before the adoption of the EWC directive. In 1999 it was again the first automobile company to create a WWC. Renault and DaimlerChrysler followed suit in 2000 and 2002. In these three cases, the existing EWCs have served as a model and a starting point for the creation of the WWCs.

In the case of Renault the new WWC, called “Renault Group Committee,” incorporates the functions of an EWC and those of a “national group committee” (an institution of worker representation provided for companies with group structure by French legislation and composed of delegates from the various national-level works councils of the group). In the cases of Volkswagen and DaimlerChrysler, the European and the world councils function in parallel and with a partial overlapping of membership. This facilitates the coordination and the organization of common meetings. No WWC has been established at Ford and GM.

The new WWCs have replaced the world company councils created by the IMF in the 1960s, which had since met on a sporadic basis. The IMF has recently developed a multifaceted strategy. It tries to transform the old IMF councils into smaller units, which would meet on a more regular basis and, if possible, with recognition and financial support from the respective transnational companies. In the cases of Ford and GM, the IMF has created new union networks named “Ford World Steering Committee” and “GM Action Group.” These union networks work in close coordination with the EWCs of these companies.

The WWCs of Volkswagen, DaimlerChrysler, and Renault have negotiated and signed international framework agreements (IFAs) on basic labor standards and industrial relations, all of them also cosigned by the IMF. The EWCs of GM and Ford have done the same, but with no IMF signature and only a European-wide validity of the agreements. In the case of GM, the agreement was also signed by the EMF. In all five cases, the EWCs or

WWCs have been given an important role in monitoring the agreement, alongside management.

## Conclusion

European unions and EWCs in American automobile firms are at the forefront of industrial relations at the European level in so far as collective bargaining at the company level in Europe is concerned. The agreements they negotiated go beyond the simple framework agreements signed in other industries and deal with substantial rules and issues (Carley 2001; da Costa and Rehfeldt 2006). The number of important agreements, eight at Ford and five at GM in just five years, shows the relevance of the procedure for both parties. This represents a significant change in attitude on the part of management, which was opposed to the EWC Directive before it was passed. It also represents an evolution on the attitude of unions whose coordination at the European level has increased, allowing for a stronger role of the EMF in a highly unionized industry.

The automobile industry has also been at the forefront of another development in industrial relations at the European level, which saw the emergence of WWCs at Volkswagen, Renault, and DaimlerChrysler, as well as the signature of IFAs by those WWCs and the IMF. So far the American firms have been opposed to the expansion of their EWCs into WWCs.

These developments have been possible in part because the automobile industry has strong mechanisms of worker representation, both at the national and the European levels, which are used by strong union actors. This is also why it is unlikely that these developments will spread easily to other industries in Europe in which the unions would be less present and the EWCs play a lesser role, unless, of course, transnational management in those industries becomes interested in these developments or the European Commission decides to foster them by a stronger EWC Directive.

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