



Employee participation in multinational enterprises

The effects of globalisation on Dutch works councils

Employee participation

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Abstract *The internationalisation of enterprises is expected to undermine national systems of employee representation. This paper assesses the extent to which this expectation can be confirmed. Using a survey of Dutch works councils, we compare national, Dutch multinational and foreign multinational firms. Using another survey, we then assess the role of European works councils within Dutch MNEs. The results of the first survey show that the influence of works councils in multinational firms, especially with respect to strategic policy, but also, to a lesser extent, regarding organisational and personnel issues is decreasing. From the second survey, we learn that European works councils have so far not compensated for this decrease in influence. We conclude that the undermining of employee representation at the national level can only be counteracted by a combination of further regulations at the European level, a change in (top) management attitudes in European MNEs and the close co-operation of employee representatives within the respective countries and at the different levels.*

1. Introduction

Much of the literature on human resource management focuses on employee influence or participation (see Beer *et al.*, 1984). This follows from the idea that employees have a "stake" in their companies, not only in an economic sense (wages, benefits, pensions, etc.), but also psychologically (recognition, satisfaction, development, etc.) and politically (obligations, rights, influence, etc.). Although most HRM literature prescribes linking human resource management practices to company strategy, in Western Europe, personnel management in general and participation in particular have been largely determined by the national system of industrial relations (Looise and Van Riemsdijk, 2001). This means that multinational enterprises (MNEs) have had to deal with different national systems. Broadly speaking, these fall under two headings:

- (1) systems based on (national) legal obligations, such as those found in Western Europe and Japan; and
- (2) voluntarist systems, in which employee influence arrangements are the result of management decisions and/or negotiations with employees or

This article is dedicated to the memory of our great colleague and friend Professor Harvie Ramsay, from Strathclyde University, who was also active in this field and who died unexpectedly on 24 April 2000.



unions. Such systems are mostly found in Anglo-Saxon countries such as the USA and the UK.

MNEs with subsidiaries in more than one country have thus had to deal with different systems for worker participation. Within their subsidiaries, most MNEs have followed a “polycentric” approach, in other words, they have adapted arrangements for their employees to local conditions. MNEs originating from the Anglo-Saxon countries installed works councils or comparable forms of employee participation in continental European countries such as Germany, Belgium and The Netherlands. Conversely, MNEs originating in continental European countries, did not install works councils within their US or UK subsidiaries, but followed the local voluntarist tradition instead. In the home country, where the headquarters are mostly situated, most MNEs have followed an “ethnocentric” approach, taking the national system of the home country as the point of departure.

Due to the growing need for more strategic and integrated human resource management, MNEs are tending to develop their own approach towards employee participation. For subsidiaries of MNEs within the Anglo-Saxon countries, little will change, given the freedom that companies – whether they were multinational or not – already have to form their own arrangements. For MNEs within continental European countries, however, this development may lead to “social dumping”, or to a hollowing out of national social arrangements. To prevent this happening, an EU directive on European works councils (EWCs) has been issued. However, the question is whether the rather weak EWC arrangement will be able to offset the effects of increasing internationalisation on national systems of worker participation.

In this article, we discuss the effects of internationalisation on the Dutch system of works councils. As in other continental European countries, such as Belgium, Germany and Austria, the Dutch works council developed into a relatively strong and mature institution for employee representation in the second half of the twentieth century (Looise *et al.*, 2001). However, globalisation, and especially the growing number and influence of MNEs, is generally seen as a contributory factor in the gradual undermining of the position of the works council (Marginson and Sisson, 1994; Van der Heijden, 2000). We examine here the extent to which this fear is grounded.

Our data is taken from a recent representative survey on the position of the works council in The Netherlands and from another survey about the role of the European works council within Dutch MNEs. The survey on Dutch works councils was an update of the last major survey of works councils in 1985 (Looise and De Lange, 1987), and, to a large extent, it had the same layout. The survey consisted of separate questionnaires to both the works council and to the managing director of a representative sample of all organisations with over 50 employees. The response rates were quite low: 12 percent ($N = 407$) for the works council survey and 14 percent ($N = 475$) for the management survey. By comparing the results of the 1985 and 1998 surveys, shifts in the position of the

works council over the last decade can be identified. The survey on European works councils in Dutch multinational firms consisted of questionnaires sent to just the central works councils of all Dutch MNEs with a European works council. Of the 89 questionnaires sent, 53 were returned, but not all of them were filled out completely (giving a gross response rate of 53 percent). In this paper, our report will mostly use descriptive statistics. Additional information on the changing position of the works council within MNEs is based on a recent study of employee representation within 15 MNEs carried out by the largest Dutch union, FNV Bondgenoten (De Jong *et al.*, 2001), together with a number of our own case studies.

In section 2, we give an overview of the general formal or legal position of the Dutch works council, as well as information specific to MNEs. We then give, in section 3, the results of our survey data regarding the actual position of works councils in different national and international settings. In section 4, we present the survey data to illustrate the position of European works councils within Dutch MNEs. Section 5 contains our conclusions and outlook on future developments.

2. The position of works councils in The Netherlands

In this section, we start with a brief overview of the historical development of the formal or legal position of the Dutch system of employee representation, especially with respect to MNEs. This is followed by a description of the formal position of the European works council (EWC).

Because of the high degree of legislation, Dutch works councils have tended to be characterised by assessments of the consecutive laws on works councils. The earliest works councils, following the first law of 1950, have been described as bodies for “pseudo-participation” (De Nijs, 1987), because of the absence of substantial rights, or as “paternalistic” (Visser, 1995), because of the dominant position of the managing director in the works council. The absence of sanctions left the establishment of works councils up to the discretion of top management, while the task of the works council was described as looking after the interests of the company, while recognising the “independence of the entrepreneur”. The latter qualification was strengthened by the fact that the managing director of the company also acted as chairman of the works council. This conception of the works council fitted the ideology of harmonious labour relations that was dominant at the time, and the then popular human relations management, and kept the discretion of management over organisational matters and that of unions over the conditions of labour intact (De Nijs, 1975; Looise, 1989).

With the revisions of the laws on works councils of 1971 and 1979, the formal character of the works council changed. The revision of 1971 included sanctions on the mandatory establishment of works councils and expanded the tasks of the works council to include looking after the interests of employees, next to those of the organisation. The 1979 revision made the works council a truly “representative” (Visser, 1995) body, since membership now became

exclusive to employees. For the contacts with the managing director, a separate construction was introduced, the so-called consultation meeting. Together, the revisions entailed granting veto rights as well as legally backed advisory rights, the former being viewed as an example of “partial democracy”, i.e. the separation of authority over part of company policy (De Nijs, 1987). The veto rights of the works council pertain to aspects of social and personnel policy, while the advisory rights are related to strategic and financial matters. Supported by several additional rights, such as exemption from work, the right to consult experts and protection from arbitrary lay-off for works council members, the “dependent works council” of the 1950s and 1960s gave way to the “independent works council” of the 1980s. The formal understanding of a works council is that it is a body representing employees, independent of the perceived need by the employer of such a body.

The law on works councils, and its several revisions, has given the works council rights regarding a wide range of company decisions. There have to be at least six meetings a year with the managing director. The employer has to inform the works council regularly, in writing, about the economic position of the company and of past, present and future (economic, technological and social) policies and matters. The advice of the works council has to be asked on a large number of economic and organisational matters, such as: the transfer of company control, long-term co-operation with another company, closing down (parts) of the company, major changes in the organisation, major investments and loans and, in recent years, the introduction of new technology. They also have a right to veto decisions about arrangements on social and personnel matters, such as working hours and holiday arrangements, remuneration or job evaluation schemes, working conditions, recruitment, promotion and training. They are in a position to take initiatives on all matters related to the company, obliging the employer to respond to any proposal put forward by the works council. Last but not least, they have the right to make an official appeal – in several types of court – should the aforementioned rights of advice and veto be ignored or not respected.

Together with a growing acceptance by employers, the legal revisions of the law on works councils have led to a shift in the role of the works council from an information channel to a consultative body. To a lesser extent, works councils have adopted the role of negotiating, in the sense of reaching bargained compromises (Looise and De Lange, 1987). When negotiations take place, they tend to be limited to those issues over which the works council has veto rights, while the consultative role concentrates on advisory rights (Looise and De Lange, 1987). Compared to the German works council (Müller-Jentsch, 1995), which focuses more on the direct representation of employee interests and the social pre-conditions for company policy, the Dutch works council focuses more on consultation and co-operation. While the German works council can bring its opinion to bear on strategic policy by influencing the composition of the board of supervisors, the Dutch works council has fewer rights in this respect, and in practice does not even make optimal use of those

rights for which there are legal provisions (Van der Heijden, 2000). This leaves the Dutch works council in a position whereby it has to execute its advisory rights if it wants to influence strategic policy, and, as noted above, this tends to be through consultation rather than negotiation.

Given the fact that, in the 1950s, there were still only a very limited number of large companies in The Netherlands, the first law on works councils only contained regulations for one works council per company. With the considerable increase in the number of large firms in the 1960s, however, the second law, in 1971, provided the options of having several works councils per company or of installing a central works council and even one or more group works councils. The idea behind this was that the more subsidiaries companies have, the more works councils they will need – for instance, one per (larger) subsidiary. The local works councils would then have to be covered by a central works council at company level. In very large companies or concerns, where there are different divisions or groups of subsidiaries, group work councils could also be installed in between local works councils and the central works council. The members of the central and group works councils are chosen by the members of the works councils below them. The tasks and rights of the central and group works councils are the same as those of the local works councils.

In the initial period following the introduction of central and group works councils in Dutch concerns – and even within already existing MNEs such as Shell, Philips, AKZO, Unilever – the central works council operated at the highest company level. This meant that the central works council had regular meetings with the CEO and was involved in decisions regarding the company as a whole, including activities in other countries. However, after some time, most MNEs decided to separate their Dutch activities from their international ones by forming a separate legal entity for the former (the so-called “Netherlands construction”). As the jurisdiction of Dutch law is restricted to Dutch territory, the central works councils and unions could not prevent this.

Consequently, the competence of the central works councils within most Dutch MNEs is now limited to Dutch activities, while their counterparts from the management side are no longer company CEOs, but managers of the Dutch activities only. This means that within Dutch MNEs, decisions can be taken at “international level”, i.e. at the headquarters in The Netherlands, without any interference of worker representatives[1]. Where these decisions have consequences for (part of) the Dutch activities, it is only the consequences of these activities that can be debated in the respective works council (central, group or local works council, depending the importance of the decision). The decision itself, however, cannot be discussed, as it can be in national Dutch companies. Due to this development, works councils within most Dutch MNEs are in the same position, legally, as works councils in Dutch subsidiaries of foreign MNEs. In these cases too, decisions are taken at the international level – perhaps in another country, even – while only the consequences of these decisions can be discussed with Dutch works councils. In practice, however,

there can be differences, due to “administrative heritage” and top management attitude. In Section 3, we will examine the impact of this on the position and influence of the works council.

After WWII, with the increasing influx of foreign direct investment, co-determination in subsidiaries of foreign MNEs became an issue. The first MNEs to invest on a large scale were from the USA. Examples of these can be found in every branch of industry, for example in the chemical industry (companies such as Exxon, Du Pont, Dow Chemicals, and General Electric Plastic); the food industry (Philip Morris, Sara Lee); the metal and electronics industry (Ford, General Electric, Actuant); computer hardware and software (IBM, Hewlett Packard, and Apple); and distribution (UPS). These American corporations were followed by Japanese companies (e.g. Fuji Photos, Mitsubishi Cars) and companies from other European countries like Sweden (Scania Trucks, Ericsson Mobile networks), France (Pechiney Aluminium, HSA Electronics), and Germany (Hoechst Chemicals). Over 300,000 Dutch employees work for foreign MNEs – 9 percent of the workforce in the private sector. Foreign MNEs account for 19 percent of the total Dutch turnover (OECD, 1999).

Foreign MNEs have always respected the law on works councils and have introduced works councils within their subsidiaries, and, if necessary, central works councils. There have never been problems in this respect. However, foreign MNEs were different in the sense that they were attracted to the idea of the works council, because they preferred them to unions as a negotiation partner. Labour conditions (e.g. wages and benefits) in foreign MNEs are established through company agreements with the works council instead of the collective labour agreement with the unions. Most foreign companies, especially those from Japan and the United States, do not like to deal with external unions and the works council serves as a vehicle to shut them out.

From the 1970s onwards, attempts have been made by the European Commission to make arrangements regarding “border-crossing” worker participation. This led to the EU Directive on the European Works Council (EWC), agreed in September 1994. According to this directive, EU member states are obliged to implement national arrangements for information-sharing and consultation at MNEs within EU countries employing at least 1,000 people and having at least 150 employees in two member states. The directive applies to MNEs of European as well as non-European origin. According to the directive, MNEs to which the above conditions apply, have to negotiate an agreement with a special negotiation group, consisting of representatives of national works councils and/or unions, in the country in which their (European) headquarters is situated.

This negotiated agreement must contain arrangements for the scope of the EWC, the composition, the procedures for information and consultation, the competencies of EWC compared to other forms and levels of consultation, the settlement of the meetings, and the financial and material provisions for EWC members. The directive prescribes at least one meeting of the EWC per year during which the (European) management presents an overview of the economic and financial position of the MNE and the prospects for future developments and

strategic choices. Apart from the obligation to establish an EWC, the regulation regarding its duties and rights is largely voluntarist. The definition of the EWC is minimalist. A transfer of responsibility from a Dutch to a European works council would clearly entail a decline in legal rights and options.

3. The actual position of Dutch works councils in MNEs

In this section, we give an overview of the actual position of works councils in MNEs in The Netherlands. We start with a comparison of works councils within subsidiaries of national concerns, subsidiaries of Dutch MNEs and subsidiaries of foreign MNEs. For this comparison, we use data from the national survey on works councils. Using qualitative data from other studies as well as some brief case descriptions, we then describe and explain in more detail the position of works councils within these three types of firm.

3.1 Works councils' influence and role in national and multinational settings

Our survey of 1998 contained a large number of questions (over 100) on a wide range of subjects related to the works council, such as composition and the application of rights (see Van het Kaar and Looise, 1999; Looise *et al.*, 2001). We present here the data that pertain to the position of works councils within companies that are part of a larger concern. Subsidiaries of concerns make up one third of the whole research population, and within this sub-section, the subsidiaries of entirely Dutch firms form a large minority of 41 percent. The percentage of subsidiaries of Dutch MNEs is 24 percent and that of foreign MNEs is 31 percent. Since 1985, when the last large survey was conducted, there has been a substantial increase, 10 percent, in foreign ownership.

The survey contained questions directed at both the works council and the managing director on the influence of the works council in six policy fields: general policy, commercial policy, financial policy, technology policy, organisational policy and personnel policy. Table I gives an overview of works councils' answers concerning their own influence position. These answers are grouped according to whether they originated from subsidiaries of wholly Dutch enterprises, subsidiaries of Dutch MNEs or subsidiaries of foreign MNEs[2].

Policy	Average (N = 151)		National firms (N = 20)		Dutch MNEs (N = 14)		Foreign MNEs (N = 11)	
	Reasonable	Large	Reasonable	Large	Reasonable	Large	Reasonable	Large
General	41	5	58		21		27	
Commercial	13		16		7		9	
Financial	13	1	16		7			
Technology	12	1	12	6	7			
Organisational	57	17	79	10	64	7	40	10
Personnel	49	30	37	47	52	39	45	18

Notes: For reasons of presentation, the category "little influence" has been left out. Numbers are percentages

Table I.
Influence of works councils within national firms and Dutch and foreign MNEs

As Table I shows, works councils in general have a reasonable to large influence on personnel, organisational and (to a lesser extent) general policy. The influence on general, commercial, financial, and, most remarkably, personnel policy is somewhat below the level of that of the 1985 survey. Only the influence on organisational policy has increased somewhat. Comparing the influence of works councils of subsidiaries of national concerns, Dutch MNEs and foreign MNEs, we can conclude that:

- works councils of subsidiaries of national Dutch firms have a higher than average influence on general, organisational and personnel policy;
- works councils of subsidiaries of Dutch MNEs have less than average influence on general, commercial, financial and technology policy, but their influence on organisational and personnel policy is about average.
- works councils of subsidiaries of foreign MNEs report considerably less influence on all policy fields. Compared to the works councils in Dutch MNEs, they have the same (lack of) influence on strategic policy (general, commercial, financial and technology), but less influence on organisational and personnel policy.

As indicators of the more general position of the works council, especially *vis-à-vis* management, the survey contained questions for works councils and the managing director about the function of the works council in the firm, the moment it is involved in the decision-making process, and the attitude of the managing director towards the works council in meetings. Table II gives an overview of the outcomes, again based on the answers of the works councils[3].

	Average (N = 151)	National companies (N = 20)	Dutch MNEs (N = 14)	Foreign MNEs (N = 10)
<i>Function of WC in company</i>				
Communication channel	18	15	36	10
Institute for co-determination	54	70	43	40
Institute for control of implementation	21	15	21	50
<i>Involvement of WC in decision making</i>				
All phases	38	59	50	18
End phase	33	35	33	36
No involvement	18	6	17	46
<i>Attitude of managing director</i>				
Prepared to do concessions	7	6		18
Prepared to jointly seek solutions	56	76	58	55
Acting formally (i.e. strict application of the law)	17	18	42	18
Emphasis on power distance	5			9
Note: Numbers are percentages				

Table II.
Role of works council
in national companies
and in Dutch and
foreign MNEs (in %)

Table II shows that, in half of the cases, the works council is seen primarily as a body for co-determining policy rather than an institution for policy control or a communication channel. In a large minority of the cases, the works council is involved in all phases of the decision-making process, although just as many works councils are only involved at the end. More than half of the managing directors are willing to involve the works council in looking for alternative solutions, but a considerable number of directors adhere to the rules and go no further. Compared to the previous 1985 study, the works council is in a stronger position: more works councils are seen as institutes for co-determination, the works council is more often involved in all phases of the decision-making process, and the managing director is more often willing to involve the works council in joint decision making. Based on this development, the report of the national study was called “the mature works council” (Van het Kaar and Looise, 1999). The maturity label, however, seems to fit some works councils better than others. If we compare the results of our three categories (subsidiaries of nationals, Dutch MNEs and foreign MNEs), we see that:

- the works councils in subsidiaries of national concerns score better on all items than the national average; they are more often seen as co-determination bodies; they are more often involved in all phases of the decision-making process, and are more often invited by management to help look for a solution.
- the works councils of subsidiaries of Dutch MNEs score below the national average on two items: they are more frequently a communication channel instead of a co-determination institute and their managing director tends to be less willing to invite the works council to look for solutions.
- the works councils of subsidiaries of foreign MNEs also score below the national average on these items, this time more dramatically, as well as on the item “time of involvement”. These works councils mostly function as a check on management decisions, and, in almost half of the cases, are not involved at all. Also, their managing directors more often tend to place emphasis on power differences, although more of them are willing to make concessions.

Based upon the data in Tables I and II, we can conclude that there is ample evidence of differences in the position of works councils between national concerns, Dutch MNEs and foreign MNEs. We see that the further away the company is from the national context, from national concern to Dutch MNE and to foreign MNE, the less influence the works council will have and the less serious its role will be. With the internationalisation of Dutch firms, the influence of the works council over strategic policy is lost, while works councils in foreign MNEs also lose influence on what has traditionally always been the works councils’ strong points – personnel and organisational policy. In the next sections, we will try to explain these differences with the help of more qualitative data. We will discuss, respectively, the situation in Dutch national

concerns, Dutch MNEs and foreign MNEs. We will give special attention to changes that take place in the position of works councils as their firms move from a national enterprise to a Dutch MNE and to a foreign MNE.

3.2 Works councils within Dutch national concerns

According to the data presented in the previous section, works councils within subsidiaries of Dutch national concerns seem to be in a rather comfortable position compared to other works councils: they have a higher influence on general and especially on organisational and personnel policy; they act more often as a co-determination body; they are more often involved in all phases of the decision-making process, and their managing director is more willing to make concessions or find joint solutions.

A first explanation for this rather comfortable position and role can be found in the fact that national concerns are fully covered by national laws. Besides the law on works councils that applies to all companies with over 50 employees, for national concerns, the so-called "Structure Law" is of considerable importance. According to this law, large private corporations with a capital of at least 25 million guilders and 100 or more employees within The Netherlands are required to install supervisory boards, comparable to those in Germany, in which "employee supervisors" can have a seat[4]. These supervisory boards are responsible for the nomination and dismissal of top management and have to approve all important decisions that are taken by management, such as large re-organisations, the closing of parts of the company, mergers and large investments. Though, in practice, supervisory boards operate a large distance away from day to day management and leave top management with a lot of room to manoeuvre, they are certainly involved in important decisions. Given that "employee supervisors" are on the board, the opinion of the (central) works councils with respect to these subjects is taken seriously, in any case more seriously than in companies without supervisory boards at which employee representatives are present. In our research, we found correlations between works council influence with respect to strategic decision making and the presence of an employee supervisor.

A second explanation lies in the fit between the procedural arrangements in the law on works councils and the functioning of a large, bureaucratic company. Illustrative in this respect is the way the law prescribes the works council's right of advice. The advice of the works council must be asked when important economic and organisational decisions have to be made, such as re-organisations, mergers, closing down (parts) of the company, major investments and loans and the introduction of new technology. In these cases, the managing director must send the works council a written proposal in which the intended decision is explained, together with the motives and possible consequences for employees. This must be done before a definite decision is taken. Before the works council gives its advice, a meeting must be held with the managing director, in which the proposal is discussed. Given the fact that these meetings normally take place six times a year, this means that it can take six weeks or even two months before the works council comes with its advice.

If the managing director decides not to follow the works council's advice, the works council can appeal in court. While the court is considering the case, implementation is forestalled. It is clear that all these formalities fit better with large companies than with small ones. In our research, we found correlations between company size and aspects of the role of the works council within a company, such as the function of the works council and how it is involved in decision making.

A third explanation is the level of professionalism of the management, works councils and their members in these large companies. Managers in large companies and concerns have "grown up" with the law on works councils and have learned to "live with it". This does not mean that they all like to co-operate with their works council, but, in general, they see it as an inevitable part of management in Dutch companies. Initial resistance to the law on works councils has gradually given way, at the least, to resignation and attempts at fruitful accommodation. Within national concerns, the ability to co-operate with works councils is seen as an important competence requirement for managers of subsidiaries. In general, these companies also have more expert staff to support management in their dealings with works councils. Also on the side of works councils, professionalism is generally higher, thanks to the broad rank and file from which they can recruit their members. In some of these national concerns, in recent years especially, a shift could be seen in choosing works council members from selection based on union background towards selection based on professionalism (see also the Ahold case).

Finally, and an explanation closely related to the previous one, is the importance of a good national reputation both with customers as well as the general public (see also Minnett, 1992). Large companies such as KLM, Stork, and Vendex-KBB are well known to the general public and take part in national institutions and/or networks with employer organisations, national, regional and local governments, and unions, etc. It is in their interests to maintain their reputations as responsible companies and as socially aware employers.

3.3 Works councils within Dutch MNEs

Compared to the works councils in national Dutch concerns, those in international Dutch concerns seem to be in a less favourable position. Compared to the national average:

- they have about the same influence on organisational and personnel policy issues, but they have much less influence on strategic policy issues;
- they are much less a co-determination body, more frequently acting as a channel for communication;
- their involvement in decision making is at about the same level as that of the national average;
- their managing directors act more formally and are less inclined to look for solutions or to make concessions.

If we try to understand this lower works council influence and position compared to the situation within national concerns, we arrive at the following explanations.

In the first place, as mentioned above, the “Netherlands construction” is applied, which leads to a split in decision making between national and international matters. Consequently, the (central) works council and the supervisory board with employee supervisors are no longer involved in strategic decision making at company level. Here lies the main reason for the lower influence on strategic policy issues of works councils in Dutch MNEs compared to their counterparts in national concerns. Also important is the change in the position of the works council’s counterpart in management. Because of the “Netherlands construction”, the CEO is no longer the consultation partner of the (central) works council, but the managing director of the Dutch part of the MNE. The competencies of these managers are restricted to national matters. This means that they have no, or only a limited, say in strategic decisions; they only have a say over the implementation of these decisions. This might also be the main reason for their formal approach; they hardly have any room for manoeuvre in these issues. On the other hand, they have more freedom with respect to non-strategic decisions at the national level, such as organisational and personnel policy issues. This explains why the works councils exercise the same influence as the national average in these fields. In some cases, Dutch MNEs started rather late with the introduction of the “Netherlands construction” (see, for instance, the Ahold case) or carried on having meetings between the central works council and the CEO, even after the introduction of this construction (an example of this is the financial conglomerate ING). Reasons for this can lie in the perceived need to foster good relations with the central works council – by keeping its members informed about strategic developments, without giving them a real say – and/or to keep up the image of being a socially responsible company. However, in most cases, sooner or later, Dutch MNEs change their regime of co-determination to a much lower level than they were used to when they were a national company.

A second reason for this development is the change in organisational structure that took place in most MNEs during the last decade. Before the 1990s, most MNEs were organised as so-called country organisations, meaning that all subsidiaries within one country were bundled within a national organisation (with Ahold, this is still the case). However, since the 1990s, most MNEs have restructured their organisations into international business or product groups or units. This means that subsidiaries in the same country – or even at the same site – can be part of different business groups with the management in different places. Even if the corporate headquarters are still based in The Netherlands, the headquarters of the product or business groups can be based in other countries in the world[5]. For the works councils, this leads to a complex situation. Works councils of subsidiaries can act on local issues on their own, but for national organisational and personnel issues they have to co-operate with the central works council, and for strategic issues, they have to co-operate with other works councils within their own product or

business group. If there are no other subsidiaries of the same group in the country, they run out of options, as there are no arrangements yet for European works councils at the level of European business groups. Research by the FNV Bondgenoten (De Jong *et al.*, 2001) has shown that, often, not only strategic decisions, but also decisions pertaining to personnel management, are taken more and more at the level of the regional business unit, thus undermining labour agreements made at the national level. Here also, the negotiating partner for works councils and unions often only has national jurisdiction.

In line with the other explanations, the change in management culture within Dutch MNEs can be mentioned as a third reason. One part of this change is the replacement of Dutch top managers by people from other countries. Most Dutch MNEs, like Ahold, nowadays have non-Dutch board members. However, with the exception of Shell and Unilever, which have alternating arrangements (Shell) or a double chair (Unilever) with UK management, almost all the CEOs of Dutch MNEs are Dutch, although nowadays they view their company and its management from an international rather than a Dutch perspective. By an international perspective, this means, in all cases, an Anglo-Saxon orientation. In this respect, there is a strange paradox in the attitude of Dutch top managers. On the one hand, they pay tribute to the “Dutch model” (in which harmonious co-operation between management and employees take central place) that made their company so successful in the past. On the other hand, they distance themselves with great ease and pragmatism from the same values, as soon they operate in an international context. Instead of practising the same principles abroad, as most top managers from other countries do – not only top managers from an Anglo-Saxon background, but also those from German MNEs (see, for instance, the example of the way the German car industry operates abroad (Pries, 2001)) – most Dutch top managers seem to ignore them as soon as they have transcended the national level.

From a national concern to a Dutch MNE: the case of Royal Ahold. Royal Ahold has changed in the last two decades from a national retailing concern to one of the largest Dutch MNEs. Starting as a grocery shop in Zaandam at the end of the nineteenth century, the company grew during the first half of the twentieth century into the national supermarket chain Albert Heijn. In the 1960s and 1970s the company expanded further by introducing innovative supermarket concepts, by taking over other chains and by starting restaurants. At the beginning of the 1980s, the company adopted an internationalisation strategy by creating Ahold (Albert Heijn holding) and by carefully acquiring a number of foreign supermarket chains. This internationalisation policy accelerated during the second half of the 1990s, especially due to the swift acquisition of four large supermarket chains in the United States. By the end of 2000, Ahold was operating 8,500 stores in 25 countries with annual sales approaching 35 billion US\$. The total number of employees is currently about 450,000. In The Netherlands, Ahold owns five store chains with over 2,400 outlets and over 60,000 employees, of which

Albert Heijn, with about 680 stores and 53,000 employees, is the largest. Traditionally, Albert Heijn and Ahold are known for their good social policy towards their employees. Both are generally seen as one of the best employers. A large number of works councils are active throughout the whole company, at regional, subsidiary and holding level. However, in line with the move towards further internationalisation, two important changes in the organisational and co-determination structure of the company have gradually taken place, one at the national and the other at the international level.

At the beginning of the 1990s, Ahold decided to shift its organisational structure in The Netherlands from a “column organisation” (with separate activities in different subsidiary companies, such as production, distribution and sales) to a “process organisation” (whereby some of these activities were moved to newly designed core companies and other, non-core activities, were outsourced). For Albert Heijn, this meant a tight integration with the distribution company – an ordering system in which stores can order on a day-to-day basis, thus minimising stocks. At the same time, after local experimentation in 1992, the principle of self-steering (delegating responsibilities for operational tasks) was gradually introduced throughout the company. For the works councils within Ahold, these developments had two important consequences. In the first place, they had to respond to the new organisation and the introduction of self-steering teams. In the second place, they had to restructure themselves too, first from a large number of works councils to one works council per chain and later on to combined works councils for the larger organisations. As a result, the works council of Albert Heijn now covers the activities of the supermarket chains, as well as the logistic departments and the head quarters (in total about 53,000 employees). One way of realising this was to refocus the works council’s attention on strategic management issues and headlines and to leave other matters to direct participation at shop-floor level. Another change was to select works council members on quality and professionalism. As a result of national restructuring, however, the position of the central works council has become difficult. Only a limited number of subsidiaries still have their own works council, so there is less to co-ordinate, and, in fact, the works council of Albert Heijn has taken over some of their tasks.

The difficult position in which the central works council finds itself is reinforced by the international restructuring that has been taking place for some time. Until the beginning of the 1990s, the central works council was involved in international decision making on a voluntary basis. This meant that although the central works council had no formal right of advice with respect to international acquisitions or sell-offs, it was informed and consulted before definite decisions were made. This was done by the CEO, in his capacity both as counterpart for the central works council and as the person responsible for international acquisitions. However, since the middle of the 1990s, the role of counterpart to the central works council has shifted from the CEO to the member of the board of directors who is responsible for the Dutch activities of Ahold, while the responsibility for the (many) acquisitions has shifted to

another (foreign) member of the board. This means that the role of the central works council with respect to these issues is now limited to receiving information, after the event. In line with this development is the recent announcement that Ahold will end the voluntary application of the “structure regime” for its international activities. A separate supervisory board will be installed for its Dutch activities and the central works council will have the right to nominate one third of the members of that board. Though the competencies of this board are restricted to decisions relating to the Dutch activities, (strategic) decision making with respect to the company as a whole will take place at international level, outside the reach of the central works council and the Dutch supervisory board. These developments mean that the central works council of Ahold will lose jurisdiction over those strategic issues on which it has recently been trying – like many other works councils of larger companies – to get more grip.

3.4 Works councils within foreign MNEs

Compared to all other categories, the works councils of subsidiaries within foreign MNEs seem to be in the worst position:

- their influence on strategic policy issues is on a par with works councils in subsidiaries of Dutch MNEs, but they have less influence (also less than the national average) on organisational issues;
- in half of the cases, the works councils act as a body for controlling the implementation of management decisions, as do most works councils, in all categories;
- in about half of the cases, they are not involved in decision making at all, which is the highest percentage of all categories of works councils.

Also striking is that, compared to subsidiaries of Dutch MNEs, fewer managing directors of these subsidiaries act in a formal way and more of them are prepared to look jointly for solutions (even more than the national average).

If we try to explain these findings, we arrive at the following possible explanations.

First, works councils, whether at subsidiary level or a central works council, have no legal instruments to influence decision making at the MNE’s headquarters (of the company as a whole or of the business group). This is important, especially with respect to strategic decisions: their formal position is the same as that of their counterparts within Dutch MNEs, where the so-called “Netherlands construction” is in force. In other words, they are only involved in the implementation of decisions, but not in the decisions themselves. The fact that, in both categories of MNEs, works councils have a reasonable influence on personnel issues can only be explained by the rather large autonomy enjoyed by local and national parts of the MNEs. Traditionally, organisational and personnel policies have been largely determined by national regulations and institutions, though there are signs that this situation is changing due to the

need for more strategic HRM for the company as a whole, and because of “best practices” policies (Looise and Van Riemsdijk, 2001). As this trend also includes negotiating over labour conditions (see section 2), it seems to mediate somewhat the positive influences of works councils in foreign MNEs. Although MNEs prefer to do business with their “own” works council, the final company arrangements stay quite close to the collective agreements in their sector. Moreover, most works councils lack power and expertise to negotiate arrangements. The difference in influence between the works councils of Dutch and foreign MNEs on organisational issues cannot be explained by distinctions in legal rights, because the rights of both are the same. The reasons may lie more in the social tradition within Dutch MNEs and in the greater sensitivity to the opinion of Dutch works councils in these specific fields.

A second explanation must be sought in the management style or culture. In foreign MNEs, this differs from the Dutch national style and culture, and even from the style and culture found in Dutch MNEs (even though they may have foreign board members). The striking thing, however, is that two distinctive patterns emerge within foreign MNEs. The first is the “hard” line pattern, in which it is made perfectly clear that top management is responsible for all strategic decision making and that the works council’s role is limited to controlling implementation. Obviously, for foreign MNEs, it is easier to be open about power relations and management prerogatives, while within Dutch MNEs this is “not done”. We can also identify a “soft” line pattern, even softer than that found in Dutch MNEs, in terms of a readiness to make concessions to works councils and to look for solutions. This can be related to management’s perception of the special value of the works council (as an alternative to unions) in managing Dutch parts of foreign MNEs (see section 2). The management style and culture of foreign MNEs, therefore, cause the role of works councils to be limited but, nevertheless, works councils are valued as local phenomena for keeping good relations and avoiding union involvement.

From a national concern to a foreign MNE: the case of Hoogovens/Corus. Hoogovens was, for many years, the pride of the national steel industry. In October 1999, the company “merged” (in fact, it was taken over) with British Steel into Corus. Corus is now the third largest steel company in Europe, with a turnover of 11,664 billion US\$ and 65,000 employees spread over the UK, The Netherlands and a number of other countries in and outside Europe. The merger meant an enormous change, not only in terms of organisation but also of co-determination.

Like Albert Heijn and Ahold, Hoogovens was well known for its good social policy towards its personnel. During the long and moving history of the company, several large restructurings had taken place, sometimes combined with (limited) lay-offs. In all cases, Hoogovens showed a deep responsibility for its personnel. Strikes sometimes took place within the company, but overall, relations between the company and its personnel (representatives) were quite good. In the 1960s and 1970s, the company acted as a “test-bed” for developing new employment relations within companies, especially with respect to the

different roles of, and mutual connections between, union officers and shop stewards, works councils at different levels, and forms of direct participation. Most of these experiences were later utilised in other large companies. Hoogovens was also one of the first companies that allowed two (of the ten) members of the supervisory board to be nominated by the central works council. In the 1980s and 1990s, the employment relations within Hoogovens, as in most other companies, became more pragmatic and business-like, with the introduction of concepts such as labour flexibility, employability and flexible pay. Overall, however, the personnel policy kept its social character.

Since the “merger” with British Steel to form Corus, a lot of things have changed. In the first place, the headquarters of Corus are in London, which brings the company under British law. One of the consequences of this construction is that there is only a limited role for a supervisory board as constituted under Dutch law. It can only apply to the Dutch part of Corus. The role of employee representatives is also limited, therefore, as there are no legal regulations with respect to this position in the UK. The central works council of Hoogovens, always a powerful institution in the old situation, is now restricted to the Dutch activities of Corus. They can only deal with the management of Corus Netherlands, which has to take orders from the headquarters of the business units and from the company as a whole in London. Since the Dutch CEO of Corus has been replaced by a British chairman, due to bad results during the first period following the merger, the central works council has lost its last connection with the board. “Our role has changed considerably” says the chairman of the central works council in the Dutch newspaper *NRC Handelsblad* of 3 December 1999, “we are formally asked for advice by the local manager, but we are not able to influence decisions that have been taken elsewhere”.

The central works council does not passively accept the change in its influence position. They are trying to “fight back” along several lines. The first line is the European works council (EWC). Hoogovens and British Steel each had their own EWCs, which have merged into a new Corus EWC. The chairman of the central works council, who has become chairman of the Corus EWC too, uses this function to enlarge the consultation options of the EWC. One of the instruments he is using is to prepare EWC standpoints better by setting up permanent EWC committees on a number of topics, such as strategic issues, social issues, and safety and health. Another instrument is the installation of an EWC Web site. However, due to the rather authoritarian management style of the British CEO and the cultural differences within the EWC itself – especially between the EWC members from continental Europe and those from the United Kingdom – this process will take a long time. A second line of action is to gradually recapture the former influence position of the central works council by forming coalitions with the management and supervisory board of Corus Netherlands. Despite a lack of formal power, a coherent Dutch block may be able to resist or at least soften negative decisions from London. In this context, the central works council is also aware of the effects of seeking publicity. A third line is networking, which means that the

central works council tries to keep in touch with the Dutch (non-executive) members of the Corus board.

4. The contribution of the EWC

The EWC can be seen as an instrument for co-ordinating human resource management at European level (Wills, 1999), or as a means for correcting the decreasing influence of national systems of employee representation, such as that of the Dutch works councils within MNEs. But does it work this way? In this section, we shall try to answer this question, based on data about the position and role of EWCs within Dutch MNEs (see also Veersma, 1999). First we present some general data on the position of the EWCs within Dutch MNEs, followed by an overview of their role in decision making.

Two-thirds of the EWCs within Dutch MNEs consist of employee representatives only, while in one third of the MNEs, management also takes part in the EWC. In all cases, however, only a limited number of meetings with management take place: 58 percent of the EWCs meet management only once a year and 42 percent twice a year. Thus, in most cases, the interaction between EWC and directors is minimal, i.e. it is restricted to the required meeting of once a year. Even the interaction between the employee representatives themselves is rather limited: 37 percent of them meet each other only once a year, 42 percent twice a year and only 16 percent three times or more. In all cases, in EWCs that include management, employee members have the possibility of meeting each other before they consult with management. In nearly all cases, they also have the option of consulting experts or of inviting consultants to the meeting with management. However, only in a limited number of cases (21 percent) is it possible to invite union officers to these meetings[6]. In all cases, the agendas for the consultation meetings are set by both parties together.

Once EWCs are set up, managements generally seem to be willing to co-operate with them. Table III gives an overview, according to Dutch central works councils, of managements' attitudes and strategies towards EWCs. The table shows that most central works councils of Dutch MNEs perceive management attitude and strategy towards the concept of the EWC to be reasonably positive, though on some points – such as minimising consultation and ignoring the EWC's point of

	(Certainly) not	Do not know	(Certainly) yes
Resistance towards EWC	66	16	10
Withholding information from EWC	73	15	
Minimising consultation	53	42	
Ignoring the EWCs points of view	47	37	
Keeping the EWC happy/quiet	58	32	5
Strengthening European consultation	21	21	58

Table III.
Attitude and strategy
of (top) management
towards the EWC)

Notes: $N = 19$; numbers are percentages

view – the responses indicate more hesitation on the part of management. This hesitation can perhaps be explained by experiences dating from the time when EWCs were first set up. In spite of repeated requests from central works councils and unions, Dutch MNEs did not act as forerunners in setting up EWCs; the forerunners were German and French MNEs (e.g. Allianz, Volkswagen, BSN, Rhône Poulenc, Thomson [see Gold and Hall 1992]). Even the option facilitating voluntary arrangements, under article 13 of the EWC directive, has hardly been used by Dutch MNEs: only 20 percent of them have made such an agreement, compared with 80 percent of the Belgian MNEs and 40 percent of the German and French MNEs (Marginson *et al.*, 1998). Almost all Dutch MNEs established an EWC only after the directive had come into effect in Dutch law. A number of them have still to be set up.

Regarding the role and influence of the EWC, almost all agreements list a number of areas in which the EWC has the right to receive information and to be consulted. In the first place, these are strategic areas, such as:

- the strategy and structure of the company (95 percent);
- the financial and economic position, on the European level (84 percent) as well as the global level (68 percent);
- investments (84 percent);
- mergers and acquisitions (79 percent);
- relocation of work (79 percent);
- restructuring, re-organisations and collective lay-offs (84 percent).

In a more limited number of EWC arrangements, information has to be provided on technology and social policy issues, such as:

- the introduction of new technology and work methods (42 percent);
- education and training (37 percent);
- international career policy (37 percent);
- work conditions (32 percent).

In most of these areas, the emphasis is mainly on management disclosing information and on the exchange of views rather than on genuine consultation. It is information that is mostly not restricted to Europe or to the EU, but is related more to developments in the company at the global level.

Table IV provides an overview of the main role or function of the EWC, as understood by the Dutch central works councils. It reaffirms the image of the EWC as a channel for information, but also as a stimulant to solidarity between workers of different countries. Both roles must be seen as additional to those of the national consultative bodies and not as a replacement of them. There is no sign of the EWC becoming a substantial direct influence on company (strategic) policy, or of it taking part in negotiations about wage conditions. At most, the EWC is an indirect influence, a driving force behind negotiations on a European level and a guard against the social consequences of re-organisations. As with

Employee
Relations
24,1

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	(Certainly) not	Do not know	(Certainly) yes
Information channel to employee representatives	5	32	63
Driving force behind negotiations at European level	32	26	37
Contributes to the company culture	5	42	47
Contributes to the company's economic position	38	26	31
Contributes to smooth transformations	37	21	37
Supplements national consultation	5	16	78
Replaces national consultation	84		
Negotiates on wage conditions	76	10	
Safeguards the social consequences of reorganisations	26	26	31
Stimulates solidarity between workers from different countries	5	16	74

Notes: $N = 19$; numbers are percentages

Table IV.
Main role and function
EWC

national works councils, (some) positive effects can be expected from the EWC in aspects such as company culture, the smooth implementation of transformations and economic performance.

5. Conclusion and outlook on future developments

Due to ongoing internationalisation, the position of national systems of employee representation like the Dutch works councils seems to be under threat. Works councils of subsidiaries of Dutch, and especially those of foreign, MNEs report a (much) lower level of influence and a weaker position than the national average, while works councils of Dutch national concerns report a higher influence and better position compared to the national average. These figures indicate that being part of a national concern has no negative impact on the influence of works councils, but when the activities of the company become international, the role of the works council decreases, especially with respect to issues of strategic policy. The strongest reduction in influence and position occurs when an organisation becomes part of a foreign concern. We can thus conclude that the internationalisation of organisations has a negative impact on the influence of Dutch works councils and consequently a negative impact on the influence of Dutch employees. When a national company is transformed into a multinational, the influence position of employees is eroded, both in formal terms and in practice, especially with regard to strategic topics (which include more and more social and organisational issues).

Up to now, the EWC has not been able to compensate this fallback in influence and position with a complementary role for employee representatives at European level. Based on our findings, we conclude that the contribution of

the EWC to the influence of employee representatives is still very limited. According to the answers of central works councils, the main role of the EWC is to act as a forum for the exchange of information, to supplement national consultation and to contribute to company culture. In this respect, our findings are in line with Wills's (1999) conclusions, based on a survey of British managers involved in EWCs, aimed at ascertaining the role of EWCs within British MNEs:

To date the focus of EWCs appears to have been on information sharing, imparting the managerial vision, two-way communication and, to a lesser extent, on building a European-wide corporate culture, promoting new types of workplace representation and fostering new relationships with established trade union parties.

In the context of UK employee relations, these may be progressive developments, but compared to the Dutch situation, the EWC is only a weak extract of the national experience. It is clearly not strong enough, as an institution, to compensate for the loss of influence of works councils within MNEs, especially on strategic issues. It is true that the EWC offers opportunities to gather more information regarding these subjects on the level of the company as a whole, but the EWC, in its present form, has no real possibilities to influence these issues. Whether this will remain the case in future depends on developments in three different areas, namely: whether new regulations are introduced regarding information and consultation at European level; whether there will be a change in European MNE management attitudes towards employee representation; and whether national and international employee representatives succeed in cooperating.

As far as new regulations at the European level are concerned, a number of new initiatives are of utmost importance. In the first place, there is the draft directive by the European Commission of December 1998 on minimum norms for EU member states regarding the supplying of information and consulting with employee representatives in general. Though this directive does not specifically aim at MNEs, it is important, because it sets a minimum to the information and consultation of employee representatives in general, within all EU companies. This minimum also has to be respected by (foreign) MNEs. If the directive is accepted, it will prevent social dumping in the field of employee representation. The second initiative is the directive on the European company, accepted by the European council in Nice, in 2000. This directive makes it possible for (parts of) MNEs to be transferred from a national to a European legal regime. This can be attractive for companies that are active in a number of European countries; though inextricably related to this change of regime is the requirement to supply information and consult employee representatives as laid down in the directive on the EWC. Evaluating the implementation of the directive on the EWC, when this takes place, will be another important initiative, although this is not expected to lead to drastic changes in the existing arrangement. Though the extent of co-determination may be rather small in all three EU regulations, they are important in terms of their symbolic significance (Ramsay, 1991, 1997).

No less important than the introduction of new European regulations are changes in management attitudes towards employee representation. From our research on Dutch works councils, we know that a positive attitude on the part of management is an important factor in the successful functioning of works councils. The same research has indicated that management attitudes have become much more positive towards works councils in the last decade, especially in larger organisations. Works councils are viewed more and more by (top) management as useful “instruments” for gaining more support from personnel for decisions, better decisions, or a better balance in interests between company and employees, etc.[7] Managing directors of Dutch national organisations obviously recognise that co-operation with works councils is part of Dutch culture and are therefore an effective way of doing business. Given the fact that forms of co-determination exist in most European countries, it would be good if European (top) management could come to the same way of thinking and agree that it is also part of (large parts of) the European culture and therefore also an effective way of doing business within Europe. (In this respect, top managers of Dutch MNEs would be well advised to follow the example of their colleagues from German and French MNEs like Volkswagen, BSN, Thomson, etc., who started to work with EWCs long before the EU directive placed this obligation upon them). Seen from this perspective, employee representation is not a burden that has to be avoided by “social dumping” but a competitive advantage that can be used positively. A useful task for European business schools would be to try to raise consciousness about the “fit” between European culture and values, and employee representation.

Last, but not least, the role of employee representation, especially on the international level, can be improved if the different stakeholders in this area – e.g. unions at both local and central levels, and local, central and European works councils – co-operate. In the past, there have been too many examples of competency struggles between unions and works councils, and between works councils at several levels. This has also been the case in The Netherlands (see Visser, 1995). Such struggles bring about a (further) weakening in employee representation and a negative image with both management and the employee constituency. Our research shows that, in The Netherlands, works councils and unions have become closer in recent years, in that more works councils now have regular contacts with unions than 15 years ago. In the European context, companies and representatives have been confronted with different national systems of employee representation. After years of ideological disputes about which system is the best, a pragmatic solution has finally been developed in the form of the EWC directive (a solution that will also be incorporated into the new directive on the European company). Employee representatives can be chosen by works councils or nominated by unions in line with their national system. Up to now, this pragmatic approach has appeared to be effective; employee representatives with different backgrounds meet in the EWC and start to work together. Though a lot of cultural, institutional and, not least, linguistic problems have to be solved, this is the only way to further co-operation and also the only

way to overcome the negative effects of globalisation on national systems of employee representation.

Notes

1. If there is a separate works council for the headquarters, its competencies are only related to issues regarding the headquarters and not to the company as a whole.
2. The answers of the managing directors to these questions on influence differ only slightly from those of the works councils. In their view, the influence of works councils on general policy issues is about the same, but is somewhat less on commercial, financial and technology policy issues and somewhat more on organisational and personnel policy issues.
3. Also with regard to two of the three questions, the managing directors' responses only differed slightly from those of the works councils. Only on the question regarding the attitude of managing directors towards the works council were the managing directors' answers considerably more positive.
4. The difference with the arrangement in Germany is that the "representatives" are not chosen directly by employees and shareholders, but indirectly, via a system of so-called co-optation. This means that new board members are nominated by the sitting board, but that both the shareholder meeting and the (central) works council have the right of veto afterwards. Based on this right, in a number of companies, informal arrangements have been made regarding the binding nomination of one or two supervisory board members by the (central) works council.
5. A good example of this is the Dutch-Swedish chemical MNE, AKZO-Nobel, that announced, in April 2001, that it will move the headquarters of its medical BU Organon from The Netherlands to the USA. This means that the Dutch subsidiaries, with over 2,700 employees, will be steered to the USA, while the corporate headquarters of AKZO-Nobel will remain in The Netherlands.
6. Most of the EWC members with Dutch MNEs are chosen by the central works council, according to the Dutch national system. Also, in most cases, the negotiations about the EWC regulations have been carried out by delegations of central works councils or by works councils and unions together, and only in a few cases by delegations of union representatives only.
7. The comparison of the outcomes of both the 1985 and the 1998 surveys shows that, during this period, support by managing directors for this statement has doubled from about 30 to over 60 percent.

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