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EWC case studies are available in electronic format only.

Company profile

Pirelli corporation is organised as a holding with its global headquarters in Milan. No specific European corporate organisation exists. The European domain of Pirelli is important but not exclusive, as the corporate management acts at world level. Pirelli has three divisions: Tyres, Energy Cables and Systems, and Telecom Cables and Systems. There is an equal number of employees in Tyres and Cables. Pirelli S.p.A provides services centrally to the different businesses. The total number of employees is 39,127. Approximately 24,500 people are employed in Europe, in Finland, France, Germany, Italy, the Netherlands, Portugal, Spain and the UK. Pirelli also has branches in Romania, Slovakia, Hungary and Turkey.

Table 1: Employment in Pirelli, 2001

Employment in the Cables division (2001 figures): 18,212
Employment in the Tyres division (2001 figures): 19,984
Employment in other sectors (2001 figures): 931

(Data: December 2001, annual Pirelli & C report)

There have been numerous restructuring and reorganisation processes over the years. These have led to market concentration, rationalisation and plant closure in some countries. The company went through two main restructuring phases, in the mid-1980s and at the beginning of the 1990s.

Restructuring in the 1980s mainly affected tyre production. The tyre market underwent a verticalisation towards an oligopoly of five manufactures, with the three main producers holding a large share in the market and the other two, one of which was Pirelli, holding a middle position. Pirelli produces tyres for cars in the upper range segment. In order to retain and increase its market share it carried out a big reorganisation of its tyre production, including the closure of its historic plant at Milan Bicocca and the shift of output with new characteristics to Bollate, also near Milan.

Between the 1980s and 1990s, production changed from tyres and cables and various processes to tyres, energy cables and systems, and telecom cables and systems. Thus, the cables sector differentiated the new output. The two divisions are differentiated in terms of products and markets. The tyres are final goods aimed at a global market, while cables are aimed at local, global and intermediate markets.

At the beginning of the 1990s, Pirelli tried to take over Continental (Germany) in order to create European-wide production synergies for cars. German trade unions opposed the move, which failed. Therefore, Pirelli was forced into further restructuring. A new CEO was appointed at this time and he carried out restructuring based on the following:

- Further dismemberment of mass production. Two new plants opened, as decided in the first phase of restructuring. One of the new plants was Bollate, where high quality tyres were to be produced.
- Halting production in plants that could not guarantee quality standards.
- Transfer of real estate to the real estate company of the Bicocca area.
- Reorganisation of the cables sector subject to increasingly diversified demand. Unlike the tyre sector, cables are not concentrated. Utilities are segmented and this means that different production units must be maintained, as well as different organisation.
- Commitment to development of optic fibre cables and their use in telecommunications.
- Halting of other types of output.

In 2002 the company was organised as Pirelli Corporation A.p.A. (Accomandita per Azioni). Company reorganisation continued with mergers, take-overs and financial reorganisation. Consequences on employment and production can be seen in the recent acquisition of Siemens (telecommunications cables) which resulted in more employment located in Germany and Austria. On the other hand, other types of output have been reduced and some plants manufacturing electric cables in the UK and Berlin have been closed down while high range tyre production has been maintained.

Figure 1: Pirelli: corporate structure 2001

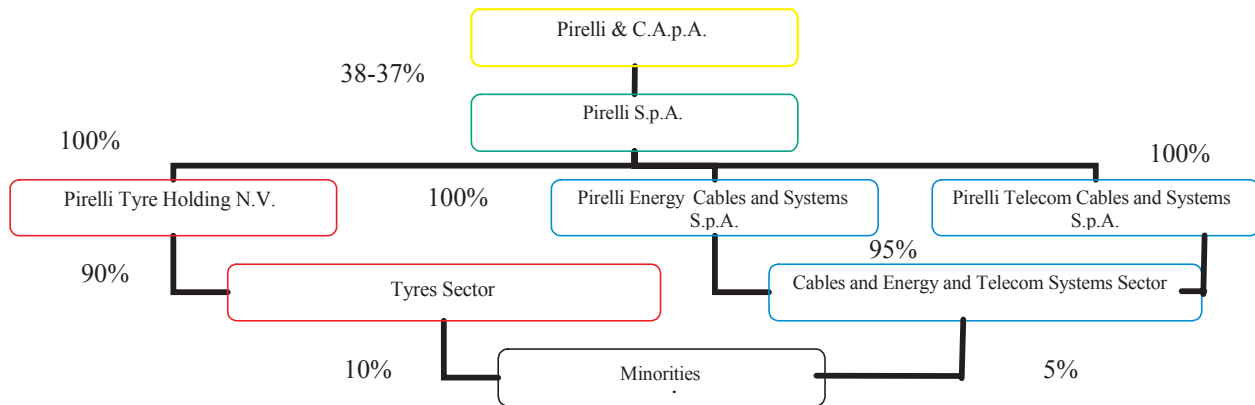


Table 2: Product distribution by countries

Cables and systems				Tyres	
Argentina	Finland	Malaysia	USA	Argentina	Spain
Australia	France	Netherlands	South Africa	Brazil	USA
Brazil	Germany	Portugal	Turkey	Egypt	Turkey
Canada	UK	Romania	Hungary	Germany	Venezuela
China	Indonesia	Slovakia		UK	
Ivory Coast	Italy	Spain		Italy	

Source: Company Report, 2001

The EWC

The EWC was established in November 1998 according to Article 6 of the European Directive and to Italian collective agreement of November 1996. It aims to inform and consult workers' representatives within EU member countries. The number of EWC members was 20 in 1998, 21 in 1999 and 22 in 2000.

Table 3: EWC Membership, 2000

Austria	0	Italy	7
Belgium	0	Netherlands	1
Finland	1	Portugal	1
France	3	Spain	2
Germany	4	UK	3
Greece	0		

The composition of the EWC is laid down in the agreement as follows: one member for each country in which the company employs at least 100 people. If the workforce in a single country is at least 10% of the total EU workforce, it has another member and a further member for each 3% above this. For countries with fewer than 100 employees, one representative can take part in a meeting where there are issues directly involving that country.

The criteria for election/appointment of representatives follow local procedures. In Italy trade unions appoint representatives, while in the UK employees elect representatives to the EWC. The term of office is three years. There are two female representatives, from France and Germany. The French representative took part in the first phase as an expert and subsequently became the employees' representative. Management takes part in the EWC in the person of the group IR director. European and local trade unions are not involved in the EWC.

The EWC process

Ordinary meetings are held once a year; although since its establishment the EWC has met as many as eight times as unforeseen problems have often arisen. The select committee is elected by majority vote. It comprises five employees' representatives, one from Italy (the secretary), one from Spain, one from France, one from Germany and one from Britain.

The select committee has limited functions. It meets at the same time as plenary meetings, in other words before the meeting with management. It has no planning functions, and specific responsibilities for interacting with members are not laid down. The select committee's function is to fix, together with management, the timetable of meetings.

According to the agreement, the secretary of the select committee is to be Italian, work in the Milan area and be appointed by the majority trade union (CGIL).

The British representative says the 'intermittent' participation of the British member has meant that there has been a lack of information. There is a perceived need for substitute members in the case of the regular members' absence. This would help guarantee representation and punctual consideration of local problems (UK plants) for which a local spokesman is felt to be necessary. This observation appears to confirm a country-oriented view and lack of faith in the autonomous operational capacity of the council. EWC meetings are always plenary and not organised by the manufacturing division.

Agenda setting is agreed before the meeting takes place, and then discussed by members the day before. Requests are then formulated in the select committee where the French representative plays a fundamental role, thanks to know-how acquired in company practice in France.

The meetings are relatively short. The secretary reports on the EWC employee representatives meetings, the budget is explained and the corporate manager then proceeds to respond to the various questions raised by the employees' representatives. Employees' representatives often feel unsatisfied with management replies. The written material normally supplied is the balance sheet and additional information. The British representative describes a meeting as 'more looking backwards on performance than forwards on future strategy. You do not get a straightforward "yes" or "no" from management, you tend to get a paragraph and it tends to be "we can't talk about things that haven't happened yet".'

Minutes of meetings are kept by the company. Once the minutes are approved they are agreed with the secretary of the select committee and then sent to the members of EWC. Pirelli employees in both Italy and the UK do not appear to be very well informed about EWC activities. There is no direct channel between the EWC and the workforce and the union channel is not often used for this purpose.

On the management side, there is a lot of communication and this takes place from the centre towards all manufacturing sites. EWC activities are not particularly emphasised in internal company communication, although information flowing from the centre is very detailed and covers all relevant themes including subjects discussed in specific meetings with employees' representatives. The UK management representative seems to regard the EWC minutes as a complementary source for his activity. The Italian union outsider hears a bit about EWC activities because the secretary works in the same plant. The union has no role in feeding information.

These observations indicate that the EWC has not changed the company's idea of communication, which continues to follow the logic of the corporation. It appears not to have substantially changed trade union dynamics either, but for different reasons. Unions normally follow organisation, information and communication strategies that are based on local negotiation and tend to exclude matters outside these.

All EWC members have an email address at their disposal, as well as Intranet and Internet connection. Other resources (like offices and secretaries) for EWC and select committee members are not available, neither is there any system of annual paid leave for EWC-related activities. Paid leave is only related to participation in plenary meetings.

There is little communication between EWC members; messages arrive for the secretary, each member writing in his or her own language. The secretary, who knows a little English and French, does the best he can and, where there is doubt, calls in a translator. The company covers the cost of EWC meetings as far as travel, accommodation, interpreting and attendance permits are concerned. It also earmarks a special sum for the EWC meetings. Each meeting costs about EUR 30,000. The company covers the cost of an expert, chosen by the members. It follows the letter of the agreement and disputes an over-wide interpretation of the term 'expert'.

The company has no say in EWC membership and is careful to avoid interference in union representation. EWC members emphasise that they have learnt by experience 'on the job'. The British representative was able to take advantage of a week's training course organised by his union specifically on the EWC. The internal dynamics of the EWC are fairly limited; no sub-groups have formed and there has been no conflict among the employees' representatives. Members explain this by pointing out that there are no sites producing the same good and therefore no competition amongst themselves.

A definite corporate strategy is becoming clear but the EWC finds it hard to evaluate it and has few opportunities to interact with it. In fact, they can only interact when the company has to explain unforeseen events, but according to the letter of the agreement it does not have to account for particular local situations. This leads to a sense of inadequacy among EWC members, which in turn has led them to learn more about each others' legislation, collective bargaining and custom and practices. At the same time, EWC meetings inform members about manufacturing in their own country. This is particularly so in the British case, where shop stewards suffer from excessive 'rooting' in their own production plant and are thus isolated from the overall complex company situation and often from company strategy.

The EWC has had practically no consequences for union activity at plant level. The outside Italian delegate and the British delegate admit that neither of them have ever tried to present European problems to the employees in their own plants, as they conceive of union activity in terms of factory.

Interaction between EWC secretary and management is not frequent. The select committee contacts the personnel management when necessary. In critical situations there is a continuous contact between the select committee secretary and the group personnel manager.

Meetings should normally take place once a year, but in recent years there have regularly been problems relating to restructuring that have led to extraordinary meetings. The four extraordinary meetings were held at the request of the unions. The agreement lays down that extraordinary meetings can be held where there are 'important company changes in corporate and organisational structure of the group and for the opening, restructuring or closure of offices, plants and factories'.

The process of information and consultation about strategic decisions is perceived in different ways by the employees' representatives and the management. According to the agreement, 'in situations of excess personnel, redundancies and deep restructuring processes, the EWC will be informed and consulted as soon as reasonably possible'. Documentation for the meetings is supplied beforehand, but only when it is already in the public domain. The friction between the EWC and the company arises from the fact that the EWC finds out about decisions only after they have been taken. The British representative says they do not tend to hear about issues 'until it has happened or the process is well on the way'. There is a feeling that EWC discussions are not going to change things.

Impact and outcomes

Both management and employees' representatives are of the opinion that EWC influence on company decisions is not decisive, and that the industrial relations system appears to have more concrete influence. However, the internal exchange between employees' representatives is considered useful for finding out and for comparison purposes.

UK management finds the EWC 'useful more than influential'. This assessment is based on the positive consequences it has on information and access to high management levels on the climate of industrial relations, rather than its potential to influence corporate strategy. The access improves internal communication.

Industrial relations policy

The company has a European policy and managers are moved about within Europe. There are thus different levels of 'Europeanisation' between the social partners: the company management is more Europeanised than the unions. Pirelli's organisation is highly centralised. The British union representatives are aware of this, along with less autonomy for local management. They claim the EWC thus becomes necessary for them to receive information and spread it to their members. This view of the EWC as an instrument for local strategies confirms that industrial relations are deeply rooted in the country and that in general they have a low level of Europeanisation.

The relationship between company management and the EWC is not close. Only the group IR manager takes parting the meetings. The division managers contribute to the report, but they do not take part directly in EWC meetings. Minutes of the meetings are circulated among assistant personnel managers and business managers, but Pirelli does not appear to emphasise the information and consultation at European level. Outside the HR division there appears to be a low level of awareness of the EWC. The British manager too sees the EWC as an instrument used by Pirelli to communicate with workers' representatives.

The UK

Industrial relations are good in both plants and there has been a reduction and sometimes a disappearance of industrial conflict. The table shows union representation in the two plants, Carlisle and Burton-on-Trent.

Table 4: Trade union representation in Carlisle and Burton-on-Trent

Carlisle
AMICUS represents maintenance workers (membership: 100)
TGWU: The majority of blue-collar workers in manufacturing are in the Transport and General Workers Union (membership: 650).
Burton-on-Trent
500 employees, 50% white collar and 50% blue collar workers
TGWU manufacturing/shop floor workers (membership: 250)
ACTS Association of Technical and Supervisory Staff. White-collar section of the TGWU (membership: 50)

Pirelli has implemented several different information practices and the state of IR has improved over the last few years. This is the account of the British shop steward: ‘We had a large number of redundancies at this Burton site when manufacturing stopped here. Relations with the unions have been good and solid. It is a consultative relationship on the basis that we would advise them as soon as possible if anything was coming up. There hasn’t been a history of conflict.’ Both the local manager and the employees’ representatives seem to think that the increasing centralisation to the corporate level currently taking place could lower plant and national autonomy.

Italy

In recent decades, industrial relations have been difficult because of the dismantling of the Bicocca plant, the downsizing of the workforce, the reallocation of employees and the many management changes. This has led to a substantial shift in generations, and today there are more younger employees. Union relations are marked by restructuring or rationalisation of manufacturing. The workforce is becoming smaller and changing identity. Collective negotiation at Pirelli is now carried out only at production unit or plant level where performance related payment are agreed. There is an information/consultation procedure within each division. No company agreements have been signed in the past decade.

In the past there was the opportunity for discussion of the issues. Nowadays information is communicated through company presentations and there is less willingness to listen. The change may be due to the global strategy and less opportunity for planning, which leads the company to cite the need for ‘day-to-day planning’.

The group IR manager sees a stable trend in company industrial relations in Italy, and Pirelli’s contractual model fits well with this stability and reduction of opportunities for contention. It is in this context that the company has increased information to employees and increased transparency.

All company negotiations need to take account of the different content of management strategy and corporate governance, which means that strategy, is continually under discussion. There is thus a large flow of information to employees’ representatives. But on their part there is a sense of frustration and powerlessness as they are given information, which restricts their capacity for initiative. On this ground they see the EWC as potentially having a role of finding out and preparing for negotiations for all employees’ representatives.

The EWC

Pirelli’s IR manager emphasises that Pirelli respects legal requirements regarding the EWC and follows procedures laid down by Article 6. It considers the EWC first and foremost as a union body and consequently supplies information set

out by the EU Directive and the company's agreement. The involvement of company management is limited to relationships with the general IR manager and company management (outsiders) are present only as experts on specific problems. Their involvement is decided in Milan at corporate level. Personnel managers from other countries have never taken part in the EWC.

Interaction takes place fairly continuously between management but it is outside the EWC. For management, it is important to ensure that local and corporate issues are clearly separated. EWC information and consultation relates only to corporate issues. This demarcation is meant to prevent employee representatives from raising issues under negotiation at the local level. The clear division between corporate and local responsibilities is due to the fact that employment legislation is different in the individual companies. Redundancies, for example, have to be managed according to legislation in force in the various countries. The IR manager underlines that this leaves little opportunity for centralisation or coordination of employment issues.

A global market and high competition have induced a more centralised strategy and a stricter control by the central headquarters. Product divisions show different problems: tyres are a global business while cables are local, global and intermediate. Cables operate in different markets that can be identified as follows:

- a) building and construction;
- b) utilities at the level of municipalities (local markets until recently);
- c) special cables usually provided by big and international tenders.

According to the British manager 'now they try to manage remotely... They want to be more involved even in the minutiae of the negotiations'. This centralised strategy seems to have reduced the autonomy previously enjoyed by the IR office.

Information given to the EWC is 'additional', in that it is not a forum for issues with local impact. The EWC receives only information relevant to more than one country.

Timing of strategic decisions and information

The board of directors first approves measures and only then informs the EWC. The IR manager insists on the concept that each country has its own system of industrial relations, information procedures and legal restrictions. There is thus little opportunity for 'Europeanisation' in the consultation procedures. The EWC requests an extraordinary meeting normally when Pirelli announces a change in company organisation. The personnel manager tries to make sure the information is received by the EWC at the same time.

There is some controversy over the issue of timing. The group personnel manager claims that it is not possible to supply information before the board of directors has met. In order for employees' representatives to receive the information due to them there is an attempt to inform them at the same time as a press release is put out, but it is not possible to inform them beforehand. The disclosure of information required by collective agreements and specific legislation must be addressed to national trade unions. Once this obligation is performed, the EWC gets the information. As the bargaining power belongs to the national unions, it seems inappropriate to inform the EWC, which has no role in collective bargaining, rather than the national organisations. There is awareness that a double track exists and that general management and the personnel office feel different priorities concerning workers' information.

According to the company's management, the EWC is not generally thought to be strategically important, as there are too many cultural and legal differences between European countries. So in present conditions the EWC has not led to

any changes in IR and the both sides interviewed did not perceive any evolutionary trend. The EU on the other hand is increasingly seen as an important influencing factor. Even though it is admitted that information and consultation are central, EWC processes are considered ineffective. It is, however, difficult to envisage this changing given that negotiating is linked to national employment legislation.

Pirelli management has probably evolved with regard to the EWC, having started from a defensive standpoint. But European information and consultation procedures have not slowed the decision making process.

According to the outsider management member, a lot of effort is made to supply required information. But local procedures follow a different course: the company gives information promptly, trade unions are informed and measures are taken by the board of directors. He finds it difficult to see a role for the EWC in this.

The evolution of the EWC experience towards a worldwide employees' representative committee has never been on the agenda. According to the management, the information and consultation procedure is to be restricted to Europe in accordance with the European obligations. Moreover, the enlargement of the EU to include countries of eastern Europe will entail problems for cultural integration and this will have to be dealt with when the time comes. While management sees and understands the process of internationalisation, the union sees it less. This presents additional problems for the operation and evolutionary perspectives of the EWC.

Future developments

The outside management representative considers the EWC a halfway organisation. Legislation is national and its field of responsibility is thus limited. Discussion partners for personnel management are local spokespeople as they are the negotiators. The interviews reveal several aspects in relation to the development of consultation and information activities within the EWC. Employees' representatives have the following requirements of European information and consultation:

- a) A need to know the contractual situation of the group better.
- b) Better use of this knowledge to help internal negotiations.
- c) A spread of 'group consciousness' leading eventually to European-wide negotiation.
- d) Greater group consciousness on the part of union reps involved in local negotiations.
- e) A need for training in order to better exploit EWC opportunities.
- f) A shortening of times required by EWC information processes.

Italian members would like to see an Italian EWC being developed, a sort of lower level of the organisation, a committee for all Italian sites with its own channels for spreading information. French, Spanish and Italian members all agree that the EWC can only develop and strengthen through joint union action.

Conclusion

Pirelli has undergone significant changes in different directions in recent times. The most important changes have concerned manufacturing specialisation with the repositioning on the market for tyres, and the site and workforce reorganisation of the 1980s. The maintenance of two manufacturing divisions has affected the organisation and production of the cables sector. On the one hand, it has developed towards telecommunications and on the other it has

developed towards the final users of the various products. These changes in commercial output have been accompanied by important corporate reorganisation. They began at the beginning of the 1990s and are still going on.

The corporation structure is in continuous transformation. The changes have strengthened central control of the company and restricted the autonomy of subsidiaries. The group is firmly governed by company management, which interacts with subsidiaries all over the world. This means that the power relationship between employees' representatives is rooted in plant practice or the national dimension of industrial relations. But group strategy options necessitate systems of information transfer to supply employees with quality and market inputs and to keep abreast of change and employment patterns. Therefore, the company has to make a serious commitment to employee information and consultation mechanisms. There are however some implicit reservations: a) the limited nature of the European dimension and b) the persisting diversity of employment rights and industrial relations.

Employees' representatives have explicit reservations about group information, relating to the impossibility of activating negotiating mechanisms towards strategic decisions and the frustrations of having to deal with only the negative consequences of employment restructuring in their own country. The extraordinary EWC meetings make clearer the crisis in which EWC Pirelli has developed. They show that the council has no stable activity yet. This explains the caution that the parties show in finding positive implications for European level communication. Employees' representatives hope for an opportunity for negotiations where employees' interests can truly be represented and influence company decisions that have real consequences for employment. Current experience is based only on 'emergency' management and reciprocal learning. The agreement is now being renegotiated.

Pirelli has clearly expressed its intention to continue complying with European obligations without undue experimentation. This could lead to improvements stemming from increased stability of the representation. The unions should be more decisive in improving EWC efficiency. Technical and support staff for representatives as well as formal training for members are possible and desirable at national and European level. EWC members could benefit from support in finding answers to their questions on facts and comparison of employment practices. Support for member activities could also lead to a more continuous attendance at EWC meetings and would improve the functioning of the select committee.

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