



# EWC case studies

## The Michelin group

*Company profile*

*The EWC*

*The EWC process*

*Impact and outcomes*

*Conclusion*

EWC case studies are available in electronic format only.

## Company profile

In December 2002, the Michelin group in Europe had on its pay roll 69,991 employees, broken down into five main work areas: tourism, HGV and two-wheel farming vehicles, civil engineering, maps and guidebooks, and components.

Major EU countries	Labour force in December 2002
France	27,769
Spain	9,554
Germany	7,080
Italy	6,577
UK	2,840
Poland	3,140
Hungary	1,963
Others	1,451
ERM Euromaster	9,617
<b>TOTAL</b>	<b>69,991</b>

In Europe, the group is present in 16 countries involved in the EWC (there are nine languages used in MEWC documents): Germany; Austria; Belgium; Denmark; Spain; Finland; France; UK; Greece; Hungary (observer, since the rider clause of September 2002); Italy; Norway; the Netherlands; Poland (observer, since the rider clause of September 2002); Portugal; and Sweden.

### Management

Management is traditionally exercised by 'local' management in the field. While this approach continues, it has also moved towards a more open form of governance, including greater interactivity with stakeholders – the unions, competent civil service authorities, government authorities, etc. The principles of corporate social responsibility are gradually brought into play and influence the social model of the Michelin group, which has opted for it as policy.

Since 1995, the group has been structured into the five major activities and into market zones (Europe, USA). However, at this stage, only two major activities (tourism vehicles and HGVs) are broken down into zones.

The markets for these major product areas are designed to become genuine operational entities and tools to steer activity organically through the Michelin group. In this way, the setting up of the Michelin EWC (MEWC) helps bring the group and its employees out of an excessively French focus to integrate the European dimension – a continental cultural and economic dimension on which the Michelin development plan rests – while getting away from the vision of specific balances necessary for each major activity.

However, the absence of harmonisation of company and tax law within the EU is felt by the Michelin group management to delay European integration, in particular social integration and therefore European labour relations.

This is summarised by François d'Avout, industrial director of the European 'tourism' activity (and previously HRD for France): 'We are now really midstream with respect to the idea of a European company; business is already thought out and developed in terms of an enlarged European market, but the results are still issued per product per country and per company. This clouds the issue of what we would like to discuss with unions regarding development and major balances

on the European level and in homogeneous activities. Not forgetting that developing in this context of joint social policies like, for example, international salaried shareholders, is a challenge and a headache!

### The EWC

The initial agreement establishing the EWC was negotiated from 1997 and signed on 15 October 1999. Negotiations with management were started at the joint request of the CFDT (France) and the IG Chimie (Germany). The negotiating mandate was, for management, given to the head of employee of the Paris unit, supported by legal advisors. The initial management position for this negotiation was focused on the creation of an employee information body, not on that of an EWC; negotiating sessions took place on a bi-monthly basis

As explained by Jean Barrat of the CFDT, spokesperson for the delegation of the 18 employee representatives in this initial negotiation (one per EU country, except France which had five delegates out of two national representative unions, the CFDT and CGT): ‘The European Union expert of the GSN [since renamed, Fédération Européenne des syndicats des Mines, de la Chimie et de l’Énergie, EMCEF] played a major role in interesting management in negotiating a European Works Council; he had already negotiated several and had the arguments that we lacked ... Initially, management did not even want to hear about the presence of this European Union expert at the first session; he therefore spoke through me. But he was able to contribute an open and objective outside union vision that effectively opened the way ...’

The negotiation points were:

1. The limitation to one single employee representative per country on the MEWC (all countries together), according to the initial management objective: the number of Michelin employees in each country varied, however, in proportions of one to a 1,000. The compromise of the initial agreement in the end produced a variable formula setting out brackets: one representative for up to 1,000 employees; two up to 5,000; three up to 10,000; five thereafter (equal numbers of substitutes also).
2. Limitation of the number of Board members of the MEWC to three, of three different nationalities (instead of five representatives on the board requested by the employee representatives). The composition of a board of five members was finally approved three years later, following the planned appraisal (carried out in 2002) after the first three years of operation of the MEWC.
3. Only one annual plenary meeting of the MEWC, according to the limit set by management (two annual meetings established since, following the rider clause of 19 September 2002).
4. The notion (in Article 10 of the agreement) of ‘exceptional circumstances’, as well as labour force thresholds involved (in the relevant countries) by a management organisation project which led to the triggering of a broader meeting of a ‘select committee’ associating employee representatives on the MEWC of the relevant countries with those of the MEWC board. They are firstly presented with a management report on the project and these participants on the select committee are then asked for their opinion on it.

These circumstances are defined in Article 10 of the agreement according to the general principles: ‘... if transnational events proceeding from the same economic justification arise which are likely to incur major repercussions on the interests of at least one thousand employees in at least two countries (EU) and at least 150 in each of them ...’ or ‘if, in the country(ies) concerned employing fewer than one thousand employees, at least 50% of the labour force of such countries are involved ...’

The rider clause of 19 September 2002, in Article 10, indicates ‘without modification’.

The employee and management representatives were unable, at the outset and during the appraisal following this rider clause, to find a compromise in order to specify these 'exceptional circumstances' or to reduce the labour force thresholds triggering off the consultation procedure of the select committee, according to the wishes of the board members.

The initial agreement was signed by three management members (including the negotiator and a German manager) and by all the union organisations in the special negotiating group inclusive of all countries – by 22 signatories in total (four more than in the special negotiating group, as the European Union organisation, the EMCEF, had itself also ratified the agreement, for example).

The rider clause of the 19 September 2002 was signed by the special delegation of the MEWC (for employees) and by a member of the executive board, Christian Tschann.

The agreement and its rider clause thus provide the framework for the EWC's remit, set out here.

Information and consultation of the employee relates to:

- legal structure of the group and major modifications (mergers, acquisitions, sell-offs, closure of companies or establishments, collective redundancies, to the exclusion of questions regarding the appointment of persons);
- economic and financial situation;
- production, sales, employment situation and predictable evolution;
- major investments;
- introduction of work methods or radically new production processes;
- health, security of employees and environmental problems.

However, Christian Tschann, who became president of the MEWC in 2002, intends to widen the debate at the MEWC:

*'Over and above a healthy normalisation of our labour relations – better recognition between unions and management within the group – we would like the MEWC to discuss in-depth investigation themes: after ongoing work on forms of flexibility set up in the group on the initiative of the MEWC board and with the full cooperation of managers in the entities involved in the MEWC, I would particularly like to propose to the MEWC a special meeting on Performance and Social Responsibility, in continuity with the recent Michelin charter signed in April 2003 linked to Sustainable Development. We are expecting constructive proposals from them in line with our philosophy of action: how to reconcile performance and responsibility.'*

Composition of the MEWC on 31 December 2002 (permanent members)

<b>Countries</b>	<b>Unions</b>	<b>Number</b>
France (5)	CGT	1 (college A)
	CFDT	1 (college A)
	SUD	1 (college A)
	CGT/FO	1 (college B)
	SAPEF	1 (college C)
Spain (3)	CCOO/UGT	4
Italy (3)	Transport and General Worker's Union	2 x 3
UK (3)		
Germany (3)	IG Chimie	3
Netherlands (2)		2
The eight other countries	One each	8
Observers (Hungary, Poland)	One observer each	(2)
<b>TOTAL permanent members</b>		<b>28</b>
<b>TOTAL observers</b>		<b>(2)</b>

### Meetings

The EWC meets twice a year:

- the first plenary session, lasting one day at the most, is preceded, and followed, by a half-day of meetings without the presence of the employer, with appropriate translation services;
- the second meeting, lasting half a day, is preceded or followed by a half-day of meetings without the presence of the employer, with appropriate translation services.

The agenda is decided jointly by the president (management) and the secretary of the MEWC (employee) one month before the meeting or 'failing an agreement, by the President' (which has never occurred). Members are notified at least one month before the meeting. The relevant documents are circulated at least a fortnight before the meeting.

Minutes, prepared by the company's representatives, need to be validated jointly by the president and secretary before circulation, to the exclusion of confidential information presented at the meetings.

### Experts

A representative of the EMCEF (on the European federal level) continued to assist the MEWC in the negotiation of its rider clause in 2002, of which the European federation is a signatory. It apparently significantly influenced the entry of Hungary and Poland to the MEWC as observers.

Moreover, the initial agreement stipulated the formal, systematic approval of management to bring in and pay an expert for the board. Three years later a budget of €60,000 over three years was allocated in the interests of greater autonomy. However, a major study such as the one launched in five countries will have cost €36,600 (including VAT) over two years in direct external service costs.

As far as management is concerned, without really being an expert, the employee manager for the Europe zone in particular (high level HRD) assists the president at meetings, with colleagues (HR or operational) brought in as appropriate in terms of the agenda.

### Costs

The board's operating costs (translation, interpreting, production and circulation of documents, travel and accommodation expenses) are paid by the company. Specific means are covered, in policies and procedures, concerning the board and its secretary:

- expenses relating to board meetings (organisation, interpreting);
- office equipped with complete logistics material for the secretary (in particular, a photocopier, intra/internet and e-mail);
- secondment of the secretary to the MEWC on a part-time basis (800 hours/annum);
- collective credit of 640 consolidated hours for the four other members, distributed between them at the secretary's discretion.

The other representatives on the MEWC have an individual annual credit of 20 hours.

### Training

With each three-yearly renewal, all representatives receive five days' training (economic, social and legal), of which three days are in principle chosen by the MEWC and organised by the board, whereas two days (a new feature since the rider clause of 2002) are chosen by the company.

### The EWC process

In the process to renew dialogue linked to the European Works Council, the impression conveyed by the different parties is that unions and management have entered a phase where each one 'pays to see', aware that after years of legal distance within the parent company, finding the right tone, methods and territory of dialogue involves finding each other.

- Finding themes: Flexibility and living and work conditions. Performance and responsibility. Health prevention and safety. Competitiveness, anticipation and distribution of investments, job organisation. Salaried shareholding policy.

*'We have sought to interest members of the European Council in thinking about prevention in terms of health and safety,' says François Théodon, in charge of HR for the Europe zone, supported by Christian Tschann and François d'Avout, 'but it did not really gel. Is it because several representatives come from countries where sales and logistics are local activities and they are less sensitive to it? Is it for more ideological reasons?'*

- Finding good levels of information exchange and discussion despite difficulties due to:
  - on the one hand, social dialogue cultures that dominate in northern Europe and confrontational cultures that still dominate in southern Europe;
  - on the other hand, the question of moving from representatives' national positions to a more European position.

*'We all find it difficult to go beyond the fact that we are employee representatives of our countries,' describes François Boisset of the CGT in Clermont-Ferrand. 'When Spain signs a flexibility agreement with work days that can vary from -30% to +30% and drains activity there, you can understand why Italian and French colleagues are not particularly happy. There is a similar story with Germany, where a large machine, which could have ended up in France and Italy, was finally installed.'*

Trust and regulations between unions need to be established. And ad hoc interactions are not yet established, even between members of the MEWC.

- Seeking processes: It seems that dialogue and consultation is restricted to a few board members, leaving others with information but without the possibility of interaction. An alternative process might involve consultation within the Board and information within the MEWC.

*'In the two most recent cases: in decisions concerning the restructuring of the wheel activity and takeover of VIBORG, management should have convened the corresponding select committees,' criticises Jean Barrat, board member and secretary of the MEWC. 'Yet in both cases, the MEWC Board was consulted without the representatives of the countries concerned.'*

European management insists on the value of moving as far as possible towards multiple dialogue, avoiding a social 'Maginot line', and involving members of the MEWC, themselves promoters of discussion. This requires debates between meetings to agree on the preparation of subjects to be proposed or introduced. With this in mind, the initiative of the Board on the flexibility study and its framing by a small nucleus is judged to be a valuable operating test.

Also in this spirit, the presentation to the MEWC of Michelin's global shareholding plan by an Italian representative is seen in a positive light – 'more eloquent than by an HR Director!' states the European HR Director, François Théodon.

### The EWC work plan

MEWC meetings are generally structured according to the following agenda:

- the economic and financial situation (results following the close of the financial year, if applicable) or evolutions regarding legal structures within the group (if relevant);
- production/sales/labour force;
- major investments (if relevant) or a status report on major strategic projects (if there are any), for example, the organisation of an activity into subsidiaries;
- major thematic projects (if any), such as the flexibility study, the international salaried shareholding project, etc;
- any specific points relating to the operation of the MEWC, including its policies and procedures, appraisal of its operation, etc;
- any other business and questions/answers.

### Roles and influences of players

Here, it is necessary to mention the role of the dominant weight of an 'alliance' among members of the Board, on the one hand, (one French, one German, one Spanish, one Italian and one British representative) which made a French CFDT representative (majority reforming tendency) Secretary of the MEWC, with the European expert of the EMCEF, and, on the other hand, influenced by social regulation in North European countries, more interested in the progressive construction of dialogue on fundamental issues (with the requirement of a projective and European vision of employment and 'social' questions) than in a logic of social confrontation with management.

Concerning management, the arrival of the small group management team in direct contact with the MEWC, consisting of directors from countries experienced in more partner-based labour relations, has largely contributed to a move away from 'confrontational' labour relations.

## Impact and outcomes

### The MEWC and other labour relations bodies

The declaration of the French central union representative of the CGT – the majority organisation in France – a member of the MEWC without being a member of the operational circle of the MEWC board – is itself emblematic of a complementary situation:

*'I find it is interesting to meet my colleagues from other countries at the MEWC; it forces us to take all problems into account. For example, questions that affect sales or logistics and affect a large proportion of Michelin employees in Northern countries, which are ignored at home where production has always weighed more than the rest.'*

Both the board and management ensure that the themes of the MEWC do not duplicate or compete with the work of the French group works council or central Betriebsrat in Germany. For example, the MEWC has a specific vocation to discuss and make proposals on subjects that are as proactive as possible or tackle issues like flexibility or social responsibility in a proactive way.

### General appraisal

Apart from the problems described above, the operation seems to be well established and making progress. The rider clause of 19 September 2002 (signed by all the members of the delegations (employees/management) in a few short weeks following the two-handed appraisal drawn up in the summer of 2002) testifies to this progress .

However, the majority union in France remains dissatisfied, despite its weight in France and that of French employees in comparison with the group's total European payroll. François Boisset (CGT) comments: 'As other countries enter the MEWC, our agreement arithmetically reduces the number and weight of representatives of majority countries already reduced to the strict minimum. There is a small problem of democracy ... In the workshop where I have worked for years in Clermont-Ferrand, for example, we were 320; we are now 60, and we know that this activity is destined to be transferred to Poland. We feel powerless; decisions are taken over the heads of employees. We do not count for much ... We are partly responsible for this. Owing to the diversity of opinions amongst employee representatives, there is usually neither a conclusion nor minutes to our preparatory meetings for the plenary sessions of the MEWC. I have said I didn't think it was right.'

### Viewpoint of the subsidiary

In the German subsidiary, the representatives on the various Betriebsrat are formally informed about what goes on at the MEWC: the minutes of the MEWC are regularly presented at the central level and, once a year a teleconference of members of the different Betriebsrat (local/central) offers an exchange of questions on the work of the MEWC.



However, the German representative, although he feels he is well informed about subjects that interest other unions elsewhere in Europe, believes that when the problem goes beyond information and there is a need to negotiate, the negotiating place actually remains local for Germany and the European level has very little influence. He says:

*'With one or even two meetings per year, you cannot do much in the major dossiers. How can the MEWC be as efficient as the consultation and negotiation process we have at home? ... German employees know that the MEWC exists, but they perceive its influence to be low. This should change in the years to come as the sites are increasingly competitive between each other within the group and it will be necessary to discuss these fundamental issues at the European Council. We will need to be consulted by local representatives of small entities in countries that do not have access to the decision-making levels. But for the time being, the existence of the MEWC has barely reinforced coordination between colleagues in the unions of the various countries.'*

German management notes the effective operation of the MEWC in terms of information, while underlining that, whenever a major issue directly concerns Germany, it is presented and discussed beforehand by the supervisory committee, in particular, and of course, German union leaders have been able to discuss it

The major issue for the future, in the opinion of the German management, is to overcome confrontational tendencies where they still exist in certain European entities in the Michelin group. Moreover, a better understanding by the group of cultural differences between the different member countries can only improve things.

### **Management viewpoint**

The EWC is a place for information and discussion, a place for shared and enlightening discussion, not 'downward' transmission of senior management's knowledge. It is a place for mutual knowledge and progressive construction of mutual trust and respect concerning operating methods specific to each culture and local tradition. It is a place for proactive discussion and a possible laboratory for studies finding new practices more in line with modern representations of social progress. According to management, it is a showcase (internal/external) for a courteous and respectful style of labour relations.

It is not a decision-making place or even a place of dialogue in preparation for change. At most, it provides for an exchange of views which may influence the implementation of managerial decisions already taken.

It is not a place to seek consensus in order to negotiate framework agreements to be adopted in each country. It is not designed to downgrade the role of national negotiating bodies.

It should become a place for exchange of best practices between European entities.

### **Employee representatives' viewpoint**

According to employee representatives, the EWC is a possible inventory of social practices effective within the group, facilitating an assessment of their impact on employees. It provides a platform to circulate best practices. It is a place for mutual knowledge and progressive construction of trust and respect concerning ways of operating in each other's culture and local tradition. It is a place for information and exchange, which could be profitably be reflected in managerial decisions.

It is not designed to downgrade existing industrial relations practices and negotiating bodies at national level. It is not a place for social democracy as the weight of each party is quite distant from their respective representative weight.

It is not a place that is sufficiently known by the employees concerned and it is necessary to get closer to national representative bodies and employees in the future.

It should become a place for unions to monitor and collectively prevent risks of 'social dumping' between the group's entities, at least on the European level. It should become a place of regulation and European harmonisation of 'socially correct' practices in the management of restructuring and adaptation to major change.

## **Conclusion**

The work of the MEWC has only really taken off (via an ad hoc work group) with the study on impacts of the different forms of flexibility (as felt by employees in five of the member countries of the MEWC). It is too early to talk about its scope and consequences.

As far as 'exceptional situations' are concerned, the partners interviewed on both sides did not seem to feel that the board (or select committee) of the MEWC had had a significant influence on management decisions or on implementation conditions.

It is through the quality of information and of discussion that the MEWC now seems to be bearing fruit. It is a place where a certain culture of distrust is disappearing to the benefit of in-depth discussion.

The construction of a European vision of labour relations is ongoing. Traditional structures and previous local consultation systems still hold sway, and member unions of the MEWC do not seek to consult each other prior to plenary sessions to develop possible compromises and adopt common positions. The board convenes an exceptional meeting of its members only in the case of an 'exceptional situation', even if this takes place without a broader invitation to convene a select committee.