



# EWC case studies

## Whirlpool

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## Company profile

Founded in 1911, Whirlpool is the largest producer and distributor of large electrical appliances in the world today. Its brands include KitchenAid, Roper, Bauknecht, Ignis, Polar, Estate, and Consul as well as the world brand Whirlpool. The group, in spite of its current global operation, bases its corporate foundation on the family-style activities that had developed over the years in small American cities, and which were progressively taken over. The nucleus of the group took shape at St. Joseph in Michigan, USA, from a factory producing electric washing machine engines, the Upton Machine Company, which was then joined by the Nineteen Hundred Kasher Company in 1929 through a merger, changing its name to the Whirlpool Company in 1950.

With its central headquarters at Benton Harbor, Michigan, the group has plants in 13 countries and markets 11 main products in over 170 countries. In North and Latin America, where it holds a market share double that of its closest competitor, Whirlpool is the major supplier of electrical appliances. In 1991, following the acquisition of the shares remaining from a 1989 joint venture with the Dutch company NV Philips, Whirlpool Europe became an associated partner of the Whirlpool Corporation. In 1995 the group also extended its presence to India, China and Pacific Asia. In 1996 Whirlpool Europe moved into South Africa and opened two commercial subsidiaries in Romania and Bulgaria. Since 1998 there has been a tendency to shift the operative responsibility for the Asiatic business towards Europe. As a result of the acquisition of the Polish producer of electrical appliances, Polar, in 2002, Whirlpool has consolidated its presence in eastern Europe.

Table 1: *Key statistics for each area*

Geographical area	Market position	Sales volume (millions)		Operating profit (millions)		Workers		Production sites
		2001	2002	2001	2002	2001	2002	
North America	No.1	\$6,580	\$7,306	\$758	\$830	26,000	32,000	United States Canada Mexico
Europe	No.3	\$2,060	\$2,199	\$39	\$81	12,000	14,000	Sweden, France, Germany, Italy, Slovakia, South Africa, Poland
Latin America	No.1	\$1,490	\$1,266	\$134	\$107	15,000	17,000	Brazil International (Embraco)
Asia	Leading western company and No.1 in India	\$373	\$391	\$19	\$14	6,000	5,000	India China

Source: *Balance 2002, Balance 2001.*

The group subdivides its business activity into four macro-geographic areas: North America, with head office in Benton Harbor, Europe, with head office in Comerio (Italy), Latin America, with head office in San Paulo (Brazil) and Buenos Aires (Argentina) and Santiago (Chile), and Asia, with head office in Hong Kong (China).

Whirlpool's European operative centre is in Italy, along with four plants (Varese, Trento, Siena and Naples) that employ about 6,000 people altogether. Comerio (Varese) is also the headquarters of the Commercial Division Italy, distributing large electrical appliances across the whole of the national territory. The other European nations hosting plants of the

group are Sweden, France, Germany, Slovakia, Poland and, out of a purely taxonomic necessity, South Africa, making a total, including the Italian workforce, of 14,000 workers and an operating profit of \$81 million in 2002.

The Whirlpool group centres on a single global business structure, focused on electrical appliances, developing a strategy aimed principally at maintaining the brand’s leading world ranking. So the focus is on continuing technological research into product as well as service innovation to enhance customer loyalty. Aiming to take advantage of the new markets of Eastern Europe, the group is looking towards the acquisition of companies with a consolidated position in these local markets. The recent acquisition of two plants in Poland and one production transfer, from Sweden to China, of a product whose range was not considered competitive enough for the western market, is an example of this.

There was a rapid drop in profits, particularly in 2001, and the group had to cut staff levels on a global scale, after which there was a rapid recovery in 2002 (see Table 2).

Table 2: *Global statistics of Whirlpool Corporation: sales, profits and employees (1992–2002)*

Year	Net sales (millions of dollars)	Net profits (millions of dollars)	Workers
1992	7,097	205	38,902
1993	7,368	51	40,071
1994	7,949	158	39,671
1995	8,163	209	46,546
1996	8,523	156	49,254
1997	8,617	15	62,419
1998	10,323	325	59,885
1999	10,511	347	62,706
2000	10,325	367	62,527
2001	10,343	21	61,923
2002	11,016	394	68,272

Source: *Balance 2002*

**The industrial relations context**

Both the management and the union side view the industrial relations system inside the group as being cooperative, but did not rule out the chance of conflicts. In Italy, the group’s industrial relations history could be subdivided into two main phases. The first one when the group was still called IRE (Industrie Riunite Elettrodomestici) characterised by persistent conflicts; and the second phase that followed the acquisition by Whirlpool Corporation, marked by a more cooperative approach. The cooperative nature of the second phase appears, in the Italian case, through the company-level establishment of a dense network of works committees, at times with decision-making powers on specific issues. The climate of reciprocal trust led to the signing of the first integrative contract in 1995, later renewed in 2000, without recording a single hour’s strike.

The cooperative model is not limited to the Italian territory but also extends to the whole of the European context. On average, there is a very high union membership rate in the European sites of the group. According to the management estimates, in Italy, Germany and France the unionisation rate is around 80%, and in Poland it is around 60%.

According to the WEEC representatives, the industrial relations culture in Europe is positively distinguished from the practices of the group in the United States, where relations are less cooperative and where the company may try not to let the union enter group companies. In Europe, the corporate-level management has been sufficiently far-sighted to

heed the suggestions of the European managers on industrial relations, and in particular in relation to the establishment of the WEEC.

## The EWC

In September 1996, in Varese, an agreement was signed between Whirlpool Europe srl and the workers' representatives, on the establishment of the Whirlpool Europe Employee Committee – WEEC. Given the date of establishment, it is a voluntary agreement based on Article 13. The negotiations lasted for eight months, but the idea had already been born years before. In the agreement itself it is laid down that the committee's headquarters should be in Varese, in other words, at the management headquarters of Whirlpool in Europe.

### Structure and objectives

The scope of this agreement is not just limited to the countries affected by the Directive, but also extends to Slovakia and Switzerland. Initially, the agreement also provided for the enforcement of the provisions in the United Kingdom, when that country had not yet transposed the EU 94/95 Directive. The participation of two Polish representatives will be made official from June 2005. The management has also been asked that the South African representative should be allowed to take part as a guest in future.

The objectives set down in the agreement provide for information and consultation procedures within the scope of a dialogue between workers' representatives and the management in a transnational perspective, without undermining the practices for providing information and consultations already existing at local level. The parties are keen to define the issues relevant to WEEC competencies, include:

- Economic and financial developments
- Employment situation and trends
- Environmental issues and health and safety
- Developments in the field of production and sales
- Investment programmes
- The introduction of new working methods or production processes
- The transfer of production, mergers and collective staff reductions
- Significant changes of an operative or organisational nature

Issues lying beyond the scope of the WEEC are identified as:

- those mainly concerning a single country or company, that would normally be dealt with locally;
- those that refer to individual, personal or political matters.

Initially the WEEC was made up of 23 workers' representatives. These are elected or appointed in the various national contexts by their respective representative bodies, as long as they have been workers of the group for at least a year. The number has gone down to 22 owing to the closure of a factory in Germany (Table 3). All the European countries with over 75 workers are represented.

In spite of repeated invitations, the delegates of Switzerland and Austria have not so far taken part in WEEC assemblies. The United Kingdom delegate took part once in 1997, but not subsequently. At the meeting in 2003, two Polish delegates also took part as guests. It can be argued that the WEEC has gone well beyond the standards laid down by the European Directive.

The WEEC is made up of employees' representatives, but assemblies are chaired by the chairman of Whirlpool Europe, or by a substitute. The management team is also made up of the operations managers, two representatives of the human resources area, the manufacturing directors, the European director of communications, the human resources directors from each country and by any other company leaders needed for the issues on the agenda. Unlike the all-male union representation, the management delegation shows a near equal gender make-up.

Table 3: *Composition of the WEEC and number of Whirlpool Group employees, 2003*

Country	Worker representatives	Employees		
		White-collar	Blue-collar	Total
Austria	1	38		38
Belgium	1	122		122
Portugal		20		20
Spain		51		51
Denmark		22		22
Sweden	2	182	476	658
Finland		24		24
France	2	352	669	1,021
Germany	3	913	1,569	2,482
UK	1	115		115
Greece		35		35
Netherlands	1	169		169
Ireland	1	122		122
Italy	8	1,581	4,339	5,920
Europe EU 15	21	3,746	7,053	10,799
Latvia		6		6
Lithuania		3		3
Hungary		30		30
Poland	2 invited	441	1,595	2,036
Czech Republic		37		37
Slovakia	1	132	818	950
Estonia		5		5
EU candidate countries in 2004	1	654	2,413	3,067
Norway		28		28
Switzerland	1	171		171
Romania (candidate 2007)		20		20
Bulgaria (candidate 2007)		5		5
Rest of Europe	1	224		224
Total Europe	22	4,624	9,466	14,090
Rest of the World				54,182
<b>World</b>				<b>68,272</b>

### **The coordinating committee**

The agreement also provides for establishing a coordinating committee made up of four members:

1. The chairman or his substitute.
2. Two coordinators, one chosen by the management and one by the workers' representatives.
3. The secretary, chosen from among the workers' representatives in the WEEC.

The Industrial Relations manager at the level of Whirlpool Europe takes on the role of secretary of the coordinating committee.

Formally speaking, the WEEC could be classified as an example of the German model. But the actual role of the management during the yearly assemblies and its formal presence in the coordinating committee brings the WEEC closer to a French-style model.

The workers' representatives can make use of the support of two experts whose intervention, if they are outsiders, requires the approval of the chairman. The agreement provides for two meetings a year: besides the yearly meeting of the WEEC, there is also a meeting of the coordinating committee three months before the WEEC meeting. The yearly WEEC meeting with the management is preceded by a pre-meeting of the workers' delegates and is followed by a half-day evaluation meeting for the delegates' representatives. Lastly, there is a short encounter between the WEEC and the management delegation during which a joint report is drafted. Extraordinary meetings can be held in cases of reorganisation and closures having an impact in terms of employment figures.

### **The EWC process**

#### **Resources**

The WEEC makes use of the facilities and the secretariat made available both by the Unitary Workplace Union Structure (RSU) of the Varese facility, and the company offices of the human resources division of Whirlpool Europe. The secretary, i.e. Whirlpool Europe's manager of industrial relations, has the task of guaranteeing the operations of the WEEC and acting as an element of continuity between management and the workers' representatives.

The WEEC members have telephones and a fax at their disposal. Each member has Internet access and an email account to ease and accelerate the flow of internal information. As English is the official language there are simultaneous translations in Italian, French, German and, at the last meeting, in Polish as well. As the representatives of Spain, the Netherlands, Sweden and Slovakia are able to understand one of these languages or English as the official language, simultaneous translation is not provided for them.

At the coordinating committee, the language spoken is English and no translation service is planned. During the three days of the yearly meeting, the workers' representatives have the chance to visit the plant where the meeting is being held. The company incurs all the organisational expenses accruing from the meeting but does not set aside a specific fund or budget. The agreement provides for the presence of two experts, currently an Italian and a German. Their skills are considered to be complementary and very useful for the working of the WEEC.

#### **Training**

Following the renewal of the agreement, the commitment of the group to offer English courses to the WEEC members is reconfirmed. Ever since 1996 there have been English language training courses. But the rotation of the workers'

representatives means that there are always new workers' representatives who have to start studying English. According to the Italian member of the WEEC, the courses have contributed to developing enough skills to be able to conduct telephone conversations and write and read emails in English. The WEEC believes that the English language courses are useful, but that simultaneous translation is equally indispensable during the yearly meetings so that members can express themselves in their own languages.

The secretary of the coordinating committee reports that the group has also organised some courses for reading economic data. These courses, along with the language courses, have been organised at national level. Furthermore, there have been courses on, for example, the new company procedures.

### Meetings

#### *The coordinating committee*

The agenda of the meeting is established by the coordinating committee three months before the official meeting. This meeting, lasting one day, is usually made up of two phases: a meeting of the workers' representatives alone and subsequently a meeting with the managerial representation making up the coordinating committee. The members of the coordinating committee are committed to disseminating the agenda together with the documentation translated into the various languages at least four weeks before the WEEC meeting, in order to allow all the members to examine and, if necessary, supplement the agenda and study the management presentation.

#### *The yearly WEEC assembly*

Within the scope of the yearly assembly of the WEEC, the preparatory meeting represents an occasion in which the various workers' representatives, in the absence of the management, can benchmark their own experiences at the level of national industrial relations and through a process of international benchmarking they can draw inspiration from any good practices enforced in the other countries. Relations with the various WEEC members are then also compared with the management information in order to see whether there are any contradictions. The reports of the WEEC members also have a controlling function. Furthermore, this worker representation meeting serves to prepare for the meeting with the management on the following day. According to the Swedish member of the WEEC, not enough time is made available for the preparatory meeting.

On the second day, usually in the morning, the management starts the meeting with a presentation that also takes account of the requests of the workers' representatives. After that the members of the WEEC may ask questions quite freely, but it is felt that there is not enough time. The afternoon of the second day is dedicated to the evaluation phase just for the workers' representatives. At the start of the third day, the workers' representatives again meet with management and a joint report is drafted. This is distributed by the secretary and displayed on the notice boards of the various facilities. The rest of the third day is dedicated to a visit to the relevant production site, and to a cultural programme, which is considered important in order to foster cohesion inside the WEEC.

### Information

From the point of view of the Italian members of the WEEC, the quality and the speed of information are deemed to be satisfactory in that the company usually tends to inform the WEEC members early on through ordinary or extraordinary meetings, as in the case of the restructuring in Germany, Sweden and France. The information is provided immediately prior to making decisions public.

Also from a quantitative perspective the information receives a positive judgement. It includes information about the trends and orientations of the group at corporate level. One problem that does emerge is the participants' inability to select and read the data shown. There is thus the risk of not achieving an exact and complete picture of how and in what

direction the company is heading. In order to deal with this problem, but also to verify the coherence of the information received, the workers' representatives have decided to circulate a kind of questionnaire among the WEEC members, in order to survey information on the various facilities and to compare these reports with the information provided by the management.

## **Interactions**

### *The coordinating committee and management*

Before drafting the agenda, the coordinating committee informs all of the management bodies so that they all have a chance to express their opinion or proposals to be added to the agenda. The Italian management outsider is also generally asked for some data to be provided to whoever is participating for the management in the WEEC assemblies. Furthermore, in the past few years he has also taken part in two briefings concerning the WEEC. The minutes produced at the end of the WEEC meeting are sent by email to all 'the country leaders and all the plant directors' and is translated into three languages: Italian, French and German.

Among the Italian members of the coordinating committee there is very frequent contact. The representatives of the workers and the management representatives, particularly the secretary of the coordinating committee, meet, including informally, nearly every day. Their meetings occur nearly always within the scope of national industrial relations.

### *The workers' representatives inside the WEEC*

The Italian representatives inside the WEEC do not voice any particular problems regarding misunderstandings between the different workers' representatives due to cultural diversities but, on the contrary, highlight the substantial exchange of information. The Italian workers' representation is perceived as dominant by the Swedish member interviewed. This domination, however, does not appear to have had any negative effects on the working of the WEEC, but is seen as a sign of good cohesion.

Between meetings the WEEC members, mainly from Germany, France, Belgium and Italy, are in touch by telephone or email, getting up-to-date information on the company trends in their respective countries and calling extraordinary meetings if the situation called for such action. According to the Swedish representative, this is insufficient. In his opinion, there should be a more systematic communication between one meeting and the next. The contacts between the yearly assemblies take place in English.

### *The representation bodies at national level*

In Italy, the meetings of the national company-level works committees and the factory assemblies have occasionally become the places in which to divulge the information received at the WEEC. The satisfactory level of the distribution of information in Italy can also be attributed to the presence in the WEEC of at least one workers' representative per plant. Although the information is well distributed, the WEEC body does not arouse the hoped for interest. This is probably due to the fact that according to the members of the works committees the WEEC activities have no direct link with their activities as union representatives at company level.

In Sweden, the minutes are received by the WEEC delegates but are not distributed among all the workers. The Swedish workers' representative does not receive the documentation concerning the WEEC meeting but is informed of it by word of mouth during the factory assemblies. Both the workers' representatives of the Italian parent company and those of the affiliated company in Sweden and Italy have never received any inputs from the WEEC that were relevant for their activities of representation.



### *The workers*

The joint communication produced at the end of the meeting is displayed on the notice board in all the plants, giving a chance, at least in Italy, to those not participating to know what happened. The workers' interest is nevertheless very low and some do not even know what the WEEC is.

## **Impact and outcomes**

### **Corporate decision making**

The first achievement of the WEEC, on which all the workers' representatives seem to agree, is the enhancement of knowledge about different industrial relations traditions and practices in the various countries represented on it.

The WEEC has not yet taken on a negotiation function but, according to the Italian representatives and the central management representative, its intervention has at times influenced management decisions. The role of the WEEC in the restructuring that took place in Germany and France is an example. In the German case, an extraordinary meeting was called in 1997 to inform the coordinating committee about the closure of a plant at Calw in Germany. Following the announcement, in which it was stated that they intended to close down the plant, the WEEC acted as a voice for the German claims in Europe. It can be argued that the WEEC has in some degree managed to develop a shared position on a case of restructuring. In the implementation of the actions at European level, it then had to adapt to the existing constraints of a legal nature within the scope of the industrial relations of the various countries involved.

In 2002 in France, the WEEC was involved in a process of staff cutting. When it became aware of the upcoming employment cuts in a French plant during a meeting of the WEEC, the coordinating committee decided to summon the French representatives to the Italian head office for an extraordinary meeting and ask them to advance all the requests that they would have wished to insert in the agreement with the company. On that claims platform, the negotiations were then articulated at national level with the company in France. Even in this case the 150 redundancies were handled with early retirements and relocations to other areas. The WEEC was informed and consulted very early so that it could take on a significant supporting role for the French representation bodies.

In the case of the acquisition of a plant in Poland and in the case of the selling off of a company branch in Sweden to China, the WEEC was informed without directly or indirectly having an impact on the decision-making phase.

During the yearly assemblies, the Swedish member of the WEEC believes there is no pressure on the management. The Swedish management representative reaches the same conclusion when he says he is surprised that the workers' representatives are not more aggressive and more determined in defending their interests. The Swedish member says that it still is not clear what the role of the WEEC should be and what its goals are.

### **Corporate identity**

The group globally shares a set of values that constitute the so-called corporate identity. In 1997, for example, a campaign was launched called 'High performance culture', for the sharing and dissemination of common company values. The WEEC played a dual role from the management point of view: 'It was the achievement of a part of these values' and at the same time 'it was the vehicle by which to disseminate these values'. According to the Italian management outsider, the WEEC is used by the company both to spread a culture of collaborative industrial relations and to extend the corporate identity.

### **Harmonisation of labour policies**

From the point of view of the workers' representatives, what is lacking is a proactive corporate drive towards the harmonisation of labour policies. In the view of management, labour policies tend towards convergence in any case.

According to management the group policies are always subject to an international benchmarking and in this context the WEEC has acted as a stimulator and a catalyst.

If the WEEC has not contributed to harmonising the labour policies, it has nevertheless allowed for a better understanding of the dynamics inherent in the industrial relations of European countries. This evaluation is shared both by the representatives of the workers and by the representatives of the management.

### **Conclusions**

The overall evaluation of the Italian delegate at the WEEC, as well as that of the secretary of the coordinating committee of the WEEC, is positive, at least in relation to the goals in the setting-up agreement. It is highlighted by the workers' representative that the first seven years' activity has mainly been an important learning period for a large number of union representatives.

The WEEC of the Whirlpool group presents a good level of advancement and its powers are not just reduced to an information-providing role. The information process seems to be mostly fast and of a qualitative and quantitative level that are deemed to be satisfactory. Compared also with the experiences of other European company committees that often do not go beyond the information provision procedures, it should be considered a positive thing that in at least two cases the WEEC took on an active role. The early intervention by the WEEC is definitely also an indication of the company's attention to worker involvement and confirms the willingness, also expressed by the secretary of the coordination committee, to heed the suggestions that are made by the WEEC. According to the secretary, the WEEC does not slow down the decision-making processes, but improves them.

The Swedish workers' representative is more critical. It seems that the efficacy of industrial relations at national level makes the WEEC experience for the Swedish delegates only relatively useful. Evaluation of the WEEC's added value thus depends to a certain extent on the efficacy of national industrial relations.

In the development of the WEEC, the renewal of the contract represents an important phase in that it has contributed to a significant improvement of the WEEC. A major obstacle to the improvement of the WEEC, which according to the workers' representatives still exists, is the scarcity of resources that the company has set aside for the European body. This lack of funds, for example, prevents greater investment in training, the deeper analysis of issues through the setting up of work groups and a greater frequency of meetings.

But the main challenge, from the point of view of the Italian WEEC member, is the need to give the WEEC a real role. According to this position, a European representation structure that does not have concrete powers will struggle to be legitimated by the national-level representation structures as well as by the workers themselves.

### **Future developments**

The penetration of the eastern markets has aroused some fears on the part of the workers worried by a possible shift in production, above all of the low-range products, towards those countries where the cost of labour still represents a strong competitive advantage. An enhancement in the WEEC potential is thus seen as welcome, from the point of view of the workers' representatives, in that it could foster a structural and formalised monitoring of the group's strategies for expansion. The workers' representative outside the WEEC feels the drafting of a code of conduct at corporate level is also important in order to contribute to the harmonisation of rights at group level and so avoid internal competition based on social dumping.

Seeing that one of the major concerns of the workers' representatives relates to the possible competition between the various facilities of the group in Europe, the question is asked what the future role of the site in Poland will be. From this point of view, the co-opting of the Polish representations in the WEEC is seen as a positive factor. In order to be able to better understand the strategies of Whirlpool Europe, it is also asked to extend the WEEC representations to all the countries that are part of the Europe macro-region, and also to South Africa. The participation of the South African delegates and the extension of the information to the South African context are considered to be of great importance in order to be able to better evaluate the productive capacities of the various sites and the possible orientations of the group inside the Europe macro-region.

Again, from the interview with the workers' representative inside the WEEC, the need emerges to extend its powers towards bargaining so as not to lose the initial enthusiasm in terms of European representation. The negotiations should be limited to general issues, without delving specifically into details and should involve more significantly the outside union in that it is an authoritative interlocutor capable of getting European funding that would be useful for a functional and organisational improvement of the WEEC. It seems that the request for a further development of the WEEC is also, in a certain sense, the expression of a lack of forward planning for this new representation structure. As a consequence, both the management and the unions are asked to reassess the WEEC.

The management side could also be willing to accept the broadening and revitalising of the WEEC powers, as long as the national-level bodies were willing to cede some sovereignty to the European level. This transfer of powers would avoid, from the management standpoint, an overlapping and a duplication of the bargaining levels. At the same time, the Italian management outsider feels it is not appropriate to entrust the WEEC with bargaining powers, as the number of people involved would make the decision-making phase extremely confusing.

## Conclusion

The Whirlpool Europe Employee Committee (WEEC) has been operative for seven years and fits into a cooperative industrial relations context. In this period, the WEEC has on several occasions taken on an active role within the scope of restructuring processes. Even if in certain cases the WEEC has managed to influence the way certain Whirlpool Europe management decisions had been implemented, there nevertheless remains the problem of a clear and shared definition of the role of the WEEC. Evaluations and expectations of the workers' representatives vary from country to country and depend on the efficacy of the respective industrial relations models. While the management rates the WEEC experiences to be very positive, the workers' representatives see the need for a further development of this new representation body. In order to achieve this shift, it is believed to be important to invest in training activities. One of the most important issues for the future relates to competition between the facilities at international level. In order to deal with this challenge, the workers' representatives identify the group's social responsibility in general, and the standardisation of rights at group level in particular, as issues to be faced at the WEEC level.

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