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# New forms of employee involvement in European Companies: Implications for a peripheral Industrial Relations system

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## Νέες μορφές εργατικής συμμετοχής στις Ευρωπαϊκές εταιρίες: Επιπτώσεις σε ένα περιφερειακό σύστημα εργασιακών σχέσεων

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### ABSTRACT

Best practice examples in terms of worker participation are scarce in the Greek context. Over the past decade though the EU has given an impetus to worker participation; therefore, the introduction of participative structures and practices in European Company (EC) could be transferred in the Greek industrial relations system. The paper examines the extent at which the relevant EC Directive could strengthen the dynamics of employee involvement, improve labour-management relations in Greece and disseminate participation in workplaces other than the subsidiaries of ECs. In addition, it examines the determining factors of such development.

**KEY WORDS:** Worker participation, European company, employee relations, social partners

### ΠΕΡΙΛΗΨΗ

Η εργατική συμμετοχή στην Ελλάδα δεν εμφάνισε αξιόλογες καλές πρακτικές εφαρμογές έως σήμερα. Κατά την τελευταία δεκαετία σημαντική ώθηση στη συμμετοχή έχει δοθεί από την Ευρωπαϊκή Ένωση. Έτσι, η εισαγωγή συμμετοχικών θεσμών στην Ευρωπαϊκή Εταιρία θα μπορούσε να ενισχύσει την διάδοση αυτών των πρακτικών στο εθνικό σύστημα εργασιακών σχέσεων. Το άρθρο εξετάζει αν η Οδηγία για την Ευρωπαϊκή Εταιρία θα μπορέσει να ενισχύσει τη δυναμική της εργατικής συμμετοχής, να βελτιώσει τις σχέσεις εργαζομένων-διοίκησης και να επεκτείνει τη συμμετοχή στις επιχειρήσεις, εκτός εκείνων που είναι παραρτήματα Ευρωπαϊκών Εταιριών στην Ελλάδα. Επίσης, διερευνά τους παράγοντες που επηρεάζουν αυτές τις εξελίξεις.

**ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ:** Εργατική συμμετοχή, Ευρωπαϊκή εταιρεία, εργασιακές σχέσεις, κοινωνικοί εταίροι

## 1. Introduction

Worker participation in Greece has historically been limited to a small number of companies, as a consequence of factors such as the nature of the Greek industrial relations system, the unwillingness of certain social partners (i.e. trade unions, employer organizations, private enterprises) to participate in cooperative engagement, and political factionalism within trade unions themselves, among others. The labor movement in Greece had to fight against an authoritarian

private enterprise sector, which did not accept union activity, and a paternalistic State, which did not always recognize trade union legitimacy. The demands for worker participation were not on top of most bargaining agendas.

Over the past decade, worker participation schemes have evolved by means of three European directives: The European Works Councils (EWC, 1994), the Worker Involvement in the European Company (2001), and the national framework for Employee Information and Consultation, (2002). The introduction of information, along with consultation and participation in the management of European companies could help towards the more effective development of such practices in the Greek industrial relations systems as a whole. The aim of this paper is to examine the history of worker participation in Greece, and to provide an analysis of the implications to date of European Directives in the institutionalization and enforcement of workplace employee participation schemes in the country understudy.

## 2. Early experiences of employee participation in the Greek workplace

For decades, employee involvement constituted a serious concern for the industrial relations system in Greece and worker participation in management was not as widespread as in other European countries. Employee involvement in decision-making within enterprises was initially raised by the first union movements and was included for the first time in the political agenda in 1910 (Koutroukis, 1989). During the 1920s, gradual steps were taken to introduce employee involvement in national labor laws. Typical examples included Act 16 of 17.3.1926 and Act 21 of 23.11.1926, which consolidated the legal basis for the formation of committees that represented port workers in the major harbors of the country. The basic function of that representation was twofold: To establish the maximum number of people employed in ports and provide port workers with licensing to practice their profession. During the same period, similar committees were formed at mills and bakeries, print shops, tax consulting offices, shoemaking shops etc. The experience of the "Delegates of Lounges", for example, was of great relevance, as it represented an informal experience of participation. Specific committees were established in the 1920s, in the "lounges" of tobacco producing enterprises in Greek Macedonia and Thrace. Those Delegates of Lounges supplemented the activity of unions in the workplace, promoted contact between union and tobacco workers, and often intervened in labor-management disputes. The important role of these delegates for the tobacco union movement was also enhanced by other activities, such as the collection of union member dues and the sale of union newspapers (Kravaritou-Manitakis, 1986; Koutroukis, 1989).

During the period immediately after World War II, some participation and self-management schemes were created. Worker representatives of those schemes had the responsibility of reestablishing the operation of factories that had been abandoned by their owners due to economic reasons (Kravaritou-Manitakis, 1986). Furthermore, during that time, several attempts to establish worker participation were made in the railways, at the Port of Piraeus, the Bank of Greece and the National Bank of Greece. Nevertheless, they were soon abandoned (Koutroukis, 1989) and it took three decades to reinitiate efforts to promote participation. The 1976 case of the special collective labor agreement with the Electrically Driven Buses of Athens and Piraeus, S.A. (ILPAP), the public bus company which gave union representatives an advisory role on serious workplace issues, such as company decisions affecting personnel and labor's right to organize, is an indicative one.

The period after 1975 was characterized by an impressive growth of what was known as the "movement of workplace unionism." This movement attempted, albeit in a fragmented manner to establish mechanisms for participation in the workplace and to direct trade-union intervention during industrial relations disputes. It also brought about drastic changes in traditional union activity. However, the lack of legislative basis of its role on the enterprise level soon led to its decline (Kravaritou-Manitakis, 1986; Mitropoulos, 1985).

In 1981, the National Collective Labor Agreement between employers and national union associations established bilateral regulatory Committees of Health and Safety in certain economic sectors, more specifically, the quarry, mine, manufacturing and electricity sectors. The aim of these committees was to ensure that occupational health and safety standards were met. Committees were obligatory in enterprises employing 501 or more workers and consisted of up to eight delegates (four employee and four employer representatives). In workplaces with 30 to 500 workers, the constitution of a committee was optional on the part of the manager employer and the number of delegates was limited to four (two on each side). In both cases, worker representatives were elected by the workforce. Representatives enjoyed special protection, equivalent to that of trade-union executives (e.g., protection against dismissal, the right for absences from work due to trade union obligations). However, this innovation of the Greek industrial relations system was never applied, due to the significant political changes occurring in Greece in 1981, following the Socialist victory in the general elections, and the radical re-orientation of labor policy in the 1980s (Spyropoulos, 1991; Nikolaou - Smokovitis, 1988; Koutroukis, 1989).

It should be noted that even the Blanchard Report, on the working conditions in Greece, drawn up in 1978 by an expert team from the International Labor Organization (International Labor Office, 1978), highlighted the fact that the presence and activity of trade-unions on the enterprise level was unknown. Certain exceptions included public services and banks where unions were well established. There was no legislative provision that allowed trade unions within enterprises, and such activity was optional on the part of the management. In order to fill this void, trade-union organizations in Greece pressed for the ratification of the International Convention No 135/1971 concerning worker representation within enterprises. However, the government did not encourage its ratification (International Labor Office, 1978). In summary, the efforts for employee participation in decision-making at enterprise level were not successful in Greece for most of the 20th century (Kravaritou-Manitakis, 1986; Koutroukis, 1989). Some of the reasons include the following:

1. Commonly, Greek unions made demands that were wide in scope and not closely related to workplace concerns. This could be attributed to the traditional form of Greek unionism and its intense politicization. The close ties between trade unions and political parties resulted in fragmented and unconvincing efforts to demand participation in decision-making at the workplace. In addition, Greek workers faced innumerable problems that, to a large extent, had already been regulated in other European countries. Restrictions on trade-union activity made it impossible for workers to demand participation in decision-making.
2. The authoritarian mindset of many Greek employers and their "aggressive attitude" to worker collectivism resulted in the rejection of the attempts to challenge established managerial rights.
3. Government intervention in industrial relations contributed significantly to limiting the autonomy of social partners to engage in collective bargaining.
4. The postwar model of economic growth, in combination with the predominance of small and medium sized enterprises in the Greek economy, resulted in a small number of workers

per enterprise, thereby preventing the industrial relations system from absorbing different schemes of information, consultation and participation.

A study on worker participation in Greece over the period 1910-1981 revealed that all efforts to promote employee participation through legal means and/or practices met with powerful resistance by the state and employers. This alliance put immense obstacles on the introduction of employee participation schemes and was also met with the official or unofficial tolerance of the trade-union movement (Koutroukis, 1989).

### 3. The 1980s: The turning point

**H**armonization with EU regulations and the directives that were applied on the entry of Greece to the European Community in 1981 resulted in a drastic shift in the views of social actors concerning employee participation. This development was reinforced for ideological and political reasons, resulting in the accelerated adoption of participative schemes, mainly through state initiatives. In other words, the state now favored the modernization of industrial relations and promoted participation schemes in the workplace. A number of important legislative initiatives were adopted during that period (Mitropoulos, 1985; Kravaritou-Manitakis, 1986:95; Stavroulakis, 1989:118 - 121). These initiatives included:

1. Law 1264/1982 on the democratization of the trade-union movement and the establishment of trade-union freedom, contributing in a decisive way to the enhancement of trade union protection in the workplace.
2. Law 1365/1983 on the "socialization" of state enterprises or utilities that introduced worker directed schemes in public enterprises.
3. Law 1385/1983 on the supervisory councils of enterprises, establishing sector-level worker participation in quarries and mines.
4. Law 1386/1983, which established employee participation in the management of "problematic" enterprises (i.e. indebted enterprises).
5. Law 1387/1983 on the control of common redundancies, approving the right of worker representatives in private enterprises to consult with management in cases of collective dismissals.
6. Law 1568/1985, enabling the formation of health and safety committees at the workplace.

During the same period, various forms of participation or self-management schemes were adopted in certain private enterprises as well, such as Amiandit, Velka, Koulistanidis-Koutsakis, Pyrkal and Panteleimidis. Nevertheless, these were isolated efforts that never resulted in significant changes due to the negative perception employers had for worker participation (Bruyn and Nicolaou-Smokovitis, 1989).

The most decisive steps in the establishment of employee participation were made in 1988 with the Law 1767/1988 on the enactment of work councils (WCs), and the ratification of the International Convention No 135/1971 concerning worker representation within enterprises (Romanias, 1999; Koutroukis, 1989). This law required enterprises employing at least 50 workers to be entitled to elect a WC to improve worker representation. For enterprises employing 20 to 50 individuals, the respective law allowed workers to elect WCs, providing a union did not already exist at company level. The law also established that the operation of WCs is participative and consultative and that they contribute to the improvement of working conditions and the growth of enterprises. However, the institutionalization of WCs did not alter any established trade

union rights. During the 1980s, employee involvement was also promoted through the collective bargaining process. Relevant examples include the following collective labor agreements (Kardaras, 1996; Mitropoulos, 1985):

1. Special Collective Labor Agreement for Personnel of the National Electric Company, DEH (27.9.1983).
2. Special Collective Labor Agreement for Personnel of the National Electric Company, DEH (7.5.1984).
3. Special Collective Labor Agreement for Personnel of the Greek Telecommunications Company, OTE (22.9.1983).
4. Special Collective Labor Agreement for Personnel of the Greek Aerospace Industry, EAV (24.3.1983).

In other state enterprises, participation schemes were used occasionally, whenever there was a need to solve specific problems, including conflict between workers and management, low productivity, privatization schemes, among others (Greek Productivity Centre, 1990). However, the Law 1767/1988 did not activate participation schemes in private enterprises. According to a survey of the Labor Ministry conducted in the mid 1990s (see Table 1 below), only 126 WCs were identified in Greece, while the number of domestic enterprises employing more than 50 workers was 2,290 and those that employed 20 to 49 workers amounted to 4,151 (Gatis, 1998).

**Table 1-WCs in Greek companies**

Number of employees	Work Councils		Enterprises	
	Number	Percentage (%)	Number	Percentage (%)
20-49	n.a.	-	4,151	65
50-	n.a.	-	2,290	35
Total	126	2	6,441	100

Source: Gatis, 1998.

Participation was not institutionalized in enterprises with less than 20 employees, constituting the vast majority of Greek enterprises (Spyropoulos, 1991). This limited effort to establish participation schemes in public enterprises in the 1980s did not continue, as it failed to expand due to the significant industrial conflicts that took place in the public sector during that period. Furthermore, in the so-called “problematic” or indebted enterprises, the experiment of instituting participation continued to be scorned (Nikolaou-Smokovitis, 1988; Stavroulakis, 1989).

Towards the end of that period, an important study undertaken by a group of experts from the Greek Productivity Centre on the issue of labor relations and worker productivity was published (Greek Productivity Centre, 1990; Jecchinis and Papavassiliou, 1990). The study included an analysis of previously published works and selected reports, and an analysis of responses given to a questionnaire distributed by the research group among the country's management executives and trade union officials of all sectors and business sizes. A total of 473 detailed responses were collected, of which 346 were from management and 127 from unions. Part of the study included interviews with 220 representatives of management who did not wish to submit their response in writing.

The study resulted in a number of policy recommendations, some of which were later adopted by the government, as well as by the social partners. One of the interesting conclusions was



that during the 1981-1988 period, considerable progress was made in worker participation, especially in the public sector. In the private sector, the modest success of WCs and health and safety committees was influenced by previous experiences, particularly in cases where both worker and employer representatives had already participated in informal consultative bodies and/or had received proper training. The level and quality of training provided to managers and other lower level personnel contributed to job satisfaction and increased productivity. These findings also came up in other relevant studies (Jecchinis, 1997; Jecchinis and Koutroukis, 2001). Similar conclusions can also be drawn from public enterprises that failed in establishing long term participation schemes. Following much debate and conflict, Law 2414/1996 was suppressed and worker directed schemes abolished, as the government eventually judged participation to be ineffective (Papoulas, 1993; Romanias, 1999).

Nevertheless, the efforts for employee involvement in Greece were strengthened with Presidential Decree 40/97, which incorporated the European Works Council (EWC) Directive into Greek legislation regarding information and consultation procedures in multinational companies. According to a study conducted by the Ministry of Labor, 73 companies that satisfied the provisions of the decree were identified in 31 December 1997. Of these companies, 47 had already introduced an EWC, while four enterprises were found to be in the EWC's establishment phase (Gatis, 1998). Thus, the nomination of Greek councilors in the EWCs created yet another involvement scheme in multinational subsidiaries in Greece.

In 1998, the European Observatory of Industrial Relations published a comparative study in a first attempt to estimate the effects of EWCs on industrial relations of EU member states (EIRONLINE, 1998). According to this study, the introduction of EWCs in the Greek industrial relations system was limited and, in most cases, non-existent, because workers and employers had underestimated the function of EWCs in practice. Very few enterprises had introduced an EWC. Moreover, no complete system of recording EWC activities existed in Greece and no further research concerning EWC implications in industrial relations had been conducted (EIRONLINE, 1998).

#### **4. Employee participation as a result of the application of the 2001/86/EC Directive in Greece**

**D**irective 2001/86/EC established the right of workers to participate in European companies in the areas of information, consultation and participation (Avagianou, 2002). In practice, a body of worker representatives could influence company affairs through a) the right to elect or to appoint certain members of the supervisory board of the company, and b) the right to propose and/or reject the nomination of certain or all members of the supervisory or administrative board of the company (Sinaniotis - Mavroudis, 2004; Silver, 2005; Chetcuti Cauchi, 2001a, 2001b; Bedra, 2006). However, the definition of "worker participation" was left to be determined through negotiations between the parties involved.

This EC Directive is expected to have important long-term implications for Greek industrial relations. Firstly, it is included in a series of relevant directives (EWCs and Directives on Information and Consultation on national level), all of which promote employee participation. Furthermore, the Directive recognizes the "dual" system of company administration and supervision. More specifically, employee representatives in those companies (Societas Europaeas) could participate in the supervisory board and/ or the Board of Directors. These developments constitute important institutional changes in a country where the "single" system (i.e. just one administrative body)

is prevalent and where efforts to introduce employee participation schemes without union involvement have failed. Consequently, it is expected that Greek social partners will be compelled to eventually introduce employee participation schemes. Even if participation is not properly applied throughout the industrial relations system, the rights of information and consultation constitute innovations for the vast majority of Greek companies. Certain issues raised in relation to the above include the following (Nikolopoulos, 2006):

1. The role of Greek workers depends on the negotiating power they will acquire in the future. That power is linked to the procedures of information, consultation or participation within companies. It is obvious that due to the small size of Greek enterprises, Greek representatives will be proportionally fewer than their European colleagues, as in the case of the EWCs. Greek worker representatives are also less experienced than their counterparts with longer tradition in participation schemes.
2. It is difficult to estimate the number of Greek enterprises that will adopt or be influenced by the EC Directive, due to the lack of relative empirical evidence. However, it is expected that their numbers will remain small.
3. If the new model of participation has a positive influence on workers in terms of power, role and job satisfaction, it is likely that debate on the worker's role within enterprises may be initiated a few years later. This will depend on the efforts of workers, trade unions and enterprises. If the new participation model has a negative influence on workers, it is unlikely to be widely encompassed by the Greek industrial relations system as a whole (Nikolopoulos, 2006). In any case, the negative experiences of the past suggest that Greek unions, which have maintained a lukewarm attitude toward participative institutions, might resist the effective development of this scheme. This attitude is linked to the concern many unions have that management will use participation to steer the radical faction of worker representatives toward moderating their demands and force of action.

In addition, certain characteristics of the Greek industrial relations system may continue to undermine support for social partner participatory cooperation, as long as the following factors continue to exist:

1. **Reduced Union Power:** This may lead to skepticism regarding employee participation (Nikolopoulos, 2006). The growth of higher level employee participation within Greek companies is uncertain.
2. **Ideology:** Worker participation in Greece has been considered for historical reasons, incompatible with traditional union action, due to the strong radical faction in the trade union movement.
3. **Organization:** The interests developed inside trade unions or between unions and employer associations prevent the growth of a competitive worker representation system (Nikolopoulos, 2006). Similar consequences arise from the part of the state as well. Most Greek managers have a negative attitude towards participation, perceiving it as a challenge to their right to manage without union involvement.

## 5. Discussion

**E**uropean social policy was a critical factor that has undoubtedly affected participation models in Greece. As certain EU Directives have favored employee involvement, Greek social partners have had to adjust their role within the new institutional framework. Given that Greece lacks



a tradition of worker participation, social partners are still suspicious of legally protected worker involvement in enterprises. However:

1. There are indications that worker participation has been beneficial to labor-management relations in enterprises implementing such schemes. According to the Greek Productivity Centre (1990) and Koutroukis' (1989) studies, a decisive factor for the success of any new initiative appears to be the previous enterprise experience in certain forms of employee involvement.
2. Worker involvement seems to be more effective in enterprises where there is no confusion and/or conflict between trade union and participative bodies (e.g., WCs, joint labor-management committees etc.). In other words, non-union enterprise participation schemes are more effective when they operate in combination with sector-based unions, that is, when both representative organizations collaborate with each other.
3. Legislative initiatives do not necessarily ensure the activation and long-lasting operation of employee participation schemes, although legal intervention probably strengthens existing informal participation. A critical factor for the success of participation seems to be the agreement between interested social partners on worker involvement within enterprises.
4. The training of worker representatives appears to be an important factor in the promotion of employee involvement. Effective employee participation is a result of proper training given to personnel representatives.

In summary, the Greek industrial relations system did not encourage the growth of participation schemes. However, the application of relevant EU Directives is likely to offer a new impetus for employee participation. It is widely accepted that the efforts of social partners to promote participation will be beneficial for all parties concerned, as it can contribute to the improvement of the working environment and to increased productivity. It is also recognized that training and upgrading the skills and qualifications of human resource managers and trade union officials can play an important role in this field.

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