



The impact of representative employee participation on organisational performance

A comparison of four neighbouring countries – Belgium, Germany, the Netherlands and the United Kingdom

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ACED 2011-013
OCTOBER 2011

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D/2011/1169/019
^ACED/2011/013



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A comparison of four neighbouring countries – Belgium, Germany, the Netherlands and the United Kingdom

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We are grateful for the helpful explanations of national legal and labour relations system by Martin Behrends, Filip Dorssemont, Claus Schnabel and Guy Van Gyes. This paper is part of a larger project on 'Effective governance in private organizations', conducted by a research team from the University of Antwerp, the University of Ghent, and Brussels Free University. We gratefully acknowledge the government agency for Innovation by Science and Technology (IWT) of the Flemish government for financial support.

Abstract

Research on the impact of representative employee participation on firm performance has hitherto been confined to single country studies, notably Germany. Comparative country studies are rare. In the present paper the basis is laid for international comparative research, by reviewing the strengths and weaknesses of the (theoretical and empirical) literature and examining the distinctive features of four neighbouring countries with respect to their industrial relations systems. We show that Belgium, Germany, the Netherlands and the United Kingdom, despite the implementation of the EU Directive on Information and Consultation rights, display a large variation in their institutional setting, resulting in very different characteristics regarding worker involvement at establishment level. Depending on the country at issue, works councils or joint consultative committees exert influence in very different degrees, and also the power of trade unions differs substantially. The existing theoretical framework that dominates empirical work does not take these differences sufficiently into account. Moreover, existing empirical work primarily focuses on the effects of the mere presence of a worker representation body on organizational outcomes, not taking into account differences in the actual functioning of these worker bodies. The underlying study demonstrates that variances in (formal and informal) rights and in group dynamics will greatly impact the effectiveness of any form of employee representation. This ultimately leads to the construction of our adjusted comparative model, which does aim to take all these differences into account, when explaining the relationship between worker involvement and organisational performance.

Introduction

The level of worker (or employee) participation¹ has always differed significantly across the member states of the European Union (EU). Also within the ‘senior’ EU15, the differences in this respect are rather large. In fact, even neighbouring countries can show a wide range of different characteristics. In some countries, employee representatives have been granted substantive participation rights by law; in other countries, employees hardly enjoy any legal rights in this respect at all, nor do organisations practice extensive employee participation voluntarily. In this paper, we focus on four countries: Belgium, Germany, the Netherlands, and the United Kingdom (UK). Within Europe, Germany and the Netherlands are among the representative employee participation leaders, while the UK brings up the rear, and Belgium takes up a middle position (European Commission, Volume 1, 2008).

The introduction of Directive 2002/14/EC (henceforth referred to as the Directive) was meant to reduce these cross-country differences by providing a minimum level of information and consultation rights for representatives of employees at the workplace level (i.e., in EU terminology, “undertakings” and “establishments”) in all EU member states. Between 2005 and 2008, the Directive was gradually implemented in the UK, while in Belgium the provisions of the Directive were extended to firms employing between 50 and 100 employees in the second half of the 2000s. This has led to more legal participation rights for workers in the aforementioned two countries, particularly in the UK. Still, in both countries, employers have been much more reluctant to involve their employees in company policies, contrary to the decade-long tradition of representative employee participation in Germany and the Netherlands. The latter two countries already satisfied the Directive’s minimum requirements by far.

The Directive has been one of the consequences of the adoption of the Lisbon Strategy in March 2000, in which the EU has formulated several long-cherished targets in order to strengthen employment, economic reform and social cohesion via the advancement of employee involvement in organisational affairs. The underlying rationale is twofold: on the one hand, the Directive intends to give employees more democratic

¹ We use ‘employee’ and ‘worker’ interchangeably.

rights, as a counterforce to the powerful employers. On the other hand, the Directive expresses the assumption that more worker participation is to the benefit of the enterprise² at large in terms of economic competitiveness. To that end, rules with respect to a minimum level of employee involvement would have to apply to all companies in all member states in order to be able to operate on a 'level playing field', and to enhance Europe's competitiveness in a globalising world (ETUI, 2009; Knudsen, 1995).

In line with the Directive, this study focuses on the deliberative role of employees' representatives at the workplace level in practice and the effects thereof on organisational performance, both hypothetical on the basis of theory and estimated with data, in four neighbouring countries that differ in the legal rules and organisational practices as to representative employee participation. Our ultimate goal is to present a conceptual framework that may provide the foundation for badly needed future international comparative research in this area. Here, Germany is included as this country stands for the archetype of extensive workers' prerogatives via works councils. At the other side of the spectrum is the UK, where employees enjoy much less (legal and voluntary) participation rights, with their interests for the most part being taken care of by trade union delegates. In terms of the well-known work by Hall and Soskice (2001), Germany and the UK represent typical cases of a coordinated and a liberal market economy, respectively. Between both poles, Belgium and the Netherlands form two interesting hybrid cases, as far as the extent of representative employee participation is concerned. As we will argue in more detail below, the Netherlands shares several characteristics with Germany, while Belgium's employee participation arrangements are closer to the UK's. The two hybrid systems in Belgium and the Netherlands have their corporatist tradition in common, but differ quite a lot in the extent to which works councils have been given influence on company policies, which might be related to the large difference in the degree of trade union involvement.

In the history of academic thinking on the economics of employee participation, the observation that worker participation is indeed practised in the real world has contributed

² Formally, representative employee participation regards commercial or private (for-profit) and non-commercial and public (not-for-profit) organisations. However, the main body of prior work discussed in the current paper only relates to the former. We use firm and organisational performance interchangeably.

to the development of a theoretical framework that underlies the large majority of empirical studies on the impact of representative employee participation on organisational performance. The most prominent country case in regards to estimating the effects of representative worker involvement on firm performance is, without any doubt, Germany. As this country has the longest tradition of granting employees formal participation rights, it comes as no surprise that most empirical work in this area is based on German data (see the reviews by Addison et al., 2004; Jirjahn, 2006 and 2010; Addison, 2009). Recently, the performance impact of Dutch works councils has also become subject of a few quantitative studies (Sapulete et al., 2011; Van den Berg et al., 2009 and 2011). As for Belgium, even though the establishment of the first works councils dates just as far back in history as in the Netherlands (embedded in law halfway the 20th century), no quantitative empirical work has been done with respect to the effect of representative employee participation on Belgian firm performance. Finally, despite the fact that employees in the UK hardly have any legal participation rights, there does exist a flow of research that is based on the British Workplace Employee Relations Surveys (hereafter: WERS), analysing the effect of (voluntary) employee involvement on firm performance (e.g., Addison and Belfield, 2001; Bryson et al., 2006).

Overlooking the current state of the art in the literature on representative employee participation, we notice that international comparative work is predominantly available in the form of qualitative studies, both in depth (e.g., Knudsen, 1995; Biagi and Tiraboschi, 2010) and breadth (e.g., Carley et al., 2005; European Commission, 2008; Hall and Purcell, 2011). Quantitative studies, econometrically comparing the difference in effect of the workplace representation system on organisational performance between countries, as of yet hardly seem to exist at all. As Bryson and Frege (2010: 232) note: “In spite of the growth in comparative workplace data, articles that compare and contrast findings across countries remain relatively rare.” With the current paper, we aim to develop the foundation for future international comparative research in this area in three steps by subsequently (a) surveying the institutional settings of our set of four different countries and (b) reviewing the existing theoretical and empirical literature, in the course of which we will pinpoint the current shortcomings in the stock of prior work, to (c) suggest a conceptual

framework on the basis of (a) and (b) that may guide future comparative studies on the organisational performance effect of representative employee participation.

The shortcomings of the cumulated stock of prior work become salient when looking more closely at the empirical findings per country, as well as on the theory on which these earlier empirical studies are founded. Then, a twofold criticism emerges from the perspective of the need to engage in comparing the empirical findings across countries. First, the dominant theoretical framework reflects a rather 'non-institutional' economics logic that does not really provides a single coherent theoretical model that can seamlessly be applied to any industrial relations setting, given the large differences between countries. We argue that this shortcoming can be tackled by first surveying the key institutional features of a selected set of countries, as these affect representative employee participation arrangements, to subsequently incorporate the most distinctive country-specific characteristics into the model. Second, the existing data often lack crucial information with respect to – what we would call – the group dynamics of employee involvement (i.e., concerning attitudes of, dynamics within and interactions between parties involved), but concentrate on the effects of the mere presence of a certain type of representative employee participation arrangement, producing mixed evidence, at best. That is, the large majority of empirical country studies focus on explaining how the mere (non-)existence of representative employee participation impacts firm performance, whereas we expect more conscientious research results if the empirical model would make use of information with regard to the actual functioning of the representative employees' body in practice. That is, by opening the black box of employee participation, more fine-grained analyses become possible, which may help to reconcile the mixed evidence reported in the literature.

Hence, after taking these shortcomings into account, we want to mark the contours of a more encompassing conceptual model with which divergent industrial relations systems can be compared more accurately with respect to the impact of representative worker participation on organisational performance. To be able to do so, we proceed as follows. First, we provide a further clarification of the research topic, which is followed by a concise comparison of the actual institutional settings of Germany, the United Kingdom, the Netherlands and Belgium (in that order). Subsequently, we briefly review the standard theoretical framework regarding the economic effects of representative employee

participation, evaluating the shortcomings that have to be addressed from the perspective of international comparative work. Next, we present an overview of the existing empirical literature with respect to the impact of employee involvement at the workplace level on organisational performance, focusing on the performance impact of representative employee participation in the four countries under consideration in the current paper. With the combined insights of these institutional and empirical surveys of the current state of the art, we conclude by presenting our adjusted conceptual model, which we hope offers an improved framework to guide new international comparative research in the future.

Conceptual foundation

As has conveniently been set out by Knudsen (1995: 5-6), employee participation can take several forms. Besides the dichotomy between direct (individual) and indirect (representative) employee participation, both of these forms can further be divided according to their origin: employees can be granted some form of involvement as a result of either statutory regulation, collective bargaining or a unilateral employer decision. As the point of departure in the current paper is the introduction of the Directive, which provides formal information and consultation rights to employees' representatives, we focus here on the analysis of the impact of institutionalised forms of indirect (i.e., representative) employee participation. The emphasis will be on legal rights, but where relevant attention will be paid to rights based on voluntary schemes, too, as emanating from mutual agreements between employers and employees.³

In the current paper, representative employee participation is understood to mean:

“the involvement of employees as a collective body in the decision-making process at the workplace or enterprise level, i.e. in micro-economic strategies [covering] the activities of a variety of councils, committees, etc., that share the general function of representing the conflict of interest, real or potential, of workers in relations with management” (Biagi and Tiraboschi, 2010: 523-524).

³ Following Frege and Godard (2010: 528), this study does not include forms of employee participation that are initiated by employers for reasons that purely serve the interests of the latter.

With respect to the types of activities carried out, the current paper focuses on those doings that result from the following three key competences of employees' delegates at the workplace level, which together reflect their deliberative role: the right to share information, the right to be consulted, and the right of co-decision⁴ (Knudsen, 1995; European Commission, 2008). These respective rights indicate an increasing degree of (potential) influence of employees' representatives. Whenever relevant, reference will be made to remaining influential (often country-specific) workers' prerogatives such as the right to monitor, the right to take initiative and the right to bargain. Furthermore, in this paper, a distinction will be made between the two most important subject categories for discussion, being economic matters (concerning financial and business strategies of the organisation), on the one hand, and social matters (concerning personnel policies in a broad sense – hence all issues related to working conditions and employment), on the other hand. Traditionally, employers have more trouble with worker involvement in their business decisions, so overall employees' rights tend to reach further in the field of social affairs.

Another clarification relates to the negotiating activities by (certain categories of) workers' representatives. Delegates may typically fulfil two divergent roles *vis-à-vis* management, namely in the field of distributive bargaining, on the one hand, and conferring on all kinds of issues related to working conditions, on the other hand. Most often, trade unionists take on the bargaining role and works councillors (or, in some cases, independent non-unionised delegates) the deliberative role. Trade union negotiators can come into conflict with an employer much more easily than works councillors, as the latter are usually assumed to operate in the interest of the organisation at large, and are often not allowed to call out a strike. To disentangle the effects of these two, possibly opposing, roles, any study should preferably analyse only the relationship between the presence and functioning of workers' representatives in their deliberative role, on the one hand, and organisational performance, on the other hand. However, as we shall see below in our

⁴ In the literature, the terms 'co-decision rights' and 'co-determination' are just as much equated with each other as they have been assigned slightly different meanings. In this paper, we will put them on a par, and use both terms interchangeably.

review of the institutional arrangements and prior studies, in all four countries, the dividing line between representatives with a purely deliberative role and those with a strict negotiation role is becoming increasingly blurred, or was already fuzzy from the start. This is connected to the design of the employee representation systems, to which we turn next.

Within the EU, employee representation systems can be designed quite differently. A first aspect of divergence involves the role of trade unions, endowing trade unions with much less or much more formal influence. In some countries, a so-called 'single channel system' of employee representation exists, which usually implies that only trade unionists act for the employees, both in the field of negotiating the primary terms of employment and in the domain of serving the workers' interests in all other matters. In other countries, a 'dual channel system' is the norm, implying that trade unions and works councils co-exist. Then, the bargaining function lies, in principle, with trade unions, whereas the works council can concentrate on the deliberative function. Additionally, in a dual channel system, depending on the country at hand, works councils can either be rather to completely independent from trade unions or, on the contrary, be dominated by trade unions. In a third variation, up to half of the members of the representation body are employer rather than employee delegates (Van Gyes, 2006).

Note, however, that, in recent years, partly due to the introduction of the Directive, but also owing to trends connected with waning trade union power and decentralisation of bargaining activities toward the workplace level, single and dual channel systems in their pure form are both vanishing. For some countries, the consequence is that trade unions take up deliberative tasks next to their negotiation roles; for other countries, this implies that works councils gradually have an increasing role in bargaining over primary terms of employment (European Union, 2008; Rose, 2009; Fulton, 2011). This topic will be illustrated below, where we turn to the practice of employee representation systems in Germany, the UK, the Netherlands and Belgium.

A final clarification issue relating to what we try to do here concerns the meaning of organisational performance. In principle, involving workers in company policies in any way could equally affect any organisational performance measure. In the existing literature, without any doubt, most attention has been paid to the effect of worker participation on

financial-economic outcomes such as productivity, profitability, employment, innovation and wages. In addition, prior work has quite often addressed the question as to whether the incidence of employee representation reduces personnel turnover, which could be considered as a social-economic performance indicator. Less frequently, but equally relevant from an industrial relations perspective, are studies into the impact of worker participation on other social outcomes, a prominent one being employee satisfaction. Note that a few of the financial-economic performance outcome measures are not easily, or not at all, applicable outside the private sector, particularly productivity, profitability and innovation. However, most empirical work has been conducted on private sector data anyway, where all these indicators tend to have relevancy. For this reason, the focus of the present paper, particularly in the section that reviews current theory and evidence, is on the impact of representative employee participation on all kinds of firm performance in the private sector.

Institutional context

In this section, we will first motivate in somewhat greater detail why we decided to compare the employee representation systems of Germany, the United Kingdom, the Netherlands and Belgium. Next, we provide a brief account of the most relevant industrial relations characteristics for each country. Subsequently, with this background information, the most important rights of worker representatives at the workplace level will be discussed for and compared across our four countries.

Country selection

Our study is motivated by the lack of (quantitative) international comparative cross-country work on the impact of representative employee participation on organisational performance, an issue particularly relevant in the context of the 2002 EU Directive on this topic. Given this Directive, and what the EU aims to achieve with this, the key twofold question is: To what degree are workers or their delegates involved in company policies and does this influence company performance? To be able to answer this twofold question,

cross-country comparative work is needed that focuses on countries that offer relevant institutional employee representation variation. We believe that the four countries we decided to focus on offer this variation, as Belgium, Germany, the Netherlands and the UK are very different along a few of the key dimensions that characterise any country's employee representation system. This can be clarified by briefly discussing the country selection logic of two other comparative cross-country studies.

Our country selection partly deviates from the large four-country study undertaken by Knudsen (1995), who compared the United Kingdom with Denmark, Germany and Spain. The underlying rationale for that selection was based on the fact that those countries accommodate four very different employee representation systems, namely a single channel system versus three different types of the dual channel system, notably exponents of the Germanic, the southern European and the Scandinavian model of worker participation. In another recent comparative study by Rigby et al. (2009: 73-74), Germany is contrasted with Spain and France, in which the first country's works councils are exemplary for their co-determination prerogatives, the second for their bargaining role, and the third for their information and consultation rights. Our four countries nicely map onto both institutional variation dimensions. First, the United Kingdom represents the single channel system, and Belgium, Germany and the Netherlands reflect three types of the dual channel system (as we will explain in more detail below). Second, Germany and the Netherlands are known for their extensive co-determination prerogatives, the UK for the emphasis on the bargaining role, and Belgium as an example of a system based on information and consultation rights.

Specifically, in the present paper, Germany and the United Kingdom are included because these countries are each other's opposite as regards workers' deliberative rights, and therewith this country pair clearly represent the two extremes on the 'few rights/single channel system – many rights/dual channel system' dimension. The Netherlands and Belgium are added as hybrid cases to analyse and unravel processes of mutual divergences in their respective dual channel systems of representation. In the literature, the Netherlands is considered to belong to the Germanic system, and Belgium to the southern European system. Note that, as a by-product of our country choice, we add two under-studied countries to the industrial relations literature: Belgium and, to a lesser

extent, the Netherlands. As will be illustrated below, this pair is particularly interesting as Belgium turns out to be a representative of the southern European industrial relations system with a perhaps surprising resemblance to the UK, whilst the Netherlands appears to have developed an employee representation system that even leapfrogged Germany's in the extensiveness of co-determination prerogatives.

Comparison of employee representation systems

Germany

Germany has attracted worldwide attention ever since legal co-determination rights for workers were introduced (already at the time of the Weimar Republic) and extended (shortly after World War II and in the 1970s) in an unprecedented way (Addison, 2009). Nowadays, the German employee representation arrangements are characterised by a dual channel system in which trade unions and works councils each have their distinctive roles.⁵ Trade unions are predominantly active at the industry level, where they concentrate on negotiating the primary terms of employment via collective labour agreements. Works councils are mainly found at the establishment level, where they discuss all working conditions that may have an impact on the interests of employees. Whereas trade unions may resort to striking activities in order to reach their goal, works councils are legally obliged to take into account the interests of the firm at large, implying that, in case of a conflict, works councils will go to court, but not on strike.

Although trade unions may propose candidates for works councils, and although the majority of works council delegates are indeed union members, observers agree that German trade unions do not dominate the actions and decisions of the works councils at the workplace level (Van Gyes, 2006; Rose, 2009). In recent years, the allocation of separate tasks over trade unions versus works councils is somewhat waning, however. The German decentralisation trend in collective bargaining provides for so-called opening clauses that allow works councils to conclude company-specific deals with management in the field of primary terms of employment, which somewhat seems to revive competition

⁵ This paper does not address German co-determination at the supervisory board level. Here, both trade union and works council delegates occupy between one third and one half of all seats in the supervisory board, on behalf of the employees.

between works councils and trade unions (European Commission, Volume 1, 2008: 225-226).

At the level of the economy as a whole, union density amounts to 20 per cent of all German employees (European Commission, Volume 1, 2008), but the proportion of employees covered by collective labour agreements (either at the sectoral or company level) is estimated to be approximately 65 per cent of the West German workers and about 51 per cent of the East German employees (Vogel, 2010). Formally, the law does not enforce employers to install a works council. However, in companies with at least five employees, employers are legally required to establish a works council when either the employees or the unions initiate this (Hall and Purcell, 2011). In practice, figures for the private sector in 2009 indicate that overall only ten per cent of all eligible workplaces have a works council, albeit with considerable differences between large and small companies. Whereas 90 per cent of the largest companies (over 500 employees) have a works council in place, this is only about six per cent for the companies with five to 50 employees. In total, around 11 million people are employed in a workplace with a works council, covering 38 per cent of all workers in East Germany and 45 per cent of all workers in West Germany (Dribbusch, 2011).

United Kingdom

Compared to continental Europe, British workers never had many legal rights. Their interests used to be defended solely by trade unions – hence the single channel categorisation. To this day, the industrial relations system in the UK is mainly characterised by voluntary agreements between employers and employee representatives, although in the last few decades several EU requirements have been introduced that further employee voice at the workplace with respect to information and consultation rights in a number of areas. These recent changes will be discussed in more detail when comparing all four countries. Only as of 1999, legislation compels employers to recognise trade unions as a party to negotiate with if the latter can prove that they represent a substantial number of workers in the bargaining unit. This enactment could, however, not reverse a clear trend triggered by the (very anti-union) Thatcher government toward other voluntary forms of worker representation at the workplace. A well-known example of the latter are so-called

joint consultative committees (JCCs), consisting of employer and employee delegates (European Commission, Volume 2, 2008; Gomez et al., 2010; Fulton, 2011). According to Kersley et al. (2006: 125-126), JCCs are “primarily concerned with consultation rather than negotiation and may [also] be referred to as works councils”, which can be “both a complement to, and a substitute for, union representation.”

So, within one workplace, union representatives (shop stewards) and non-union representatives (both JCC members and independent, ‘stand-alone’, representatives) may operate next to one another. Up to a degree, they all discuss a broad array of issues with management, ranging from terms of employment to recruitment, training and performance appraisals, and from welfare issues to individual disputes. With respect to these four broad issue categories, union representatives spend relatively more time on terms of employment and settlement of individual disputes than do non-union representatives, whereas the other two issue categories are handled by both types of representatives to more or less the same extent (Kersley et al., 2006). A final trend that can be mentioned here refers to the phenomenon of so-called social partnership, in which the management voluntarily collaborates with employees or their representatives to “achieve common goals such as fairness and competitiveness” (TUC, 1999, cited by Martínez Lucio and Stuart, 2004: 410). Although Martínez Lucio and Stuart (2004) are rather sceptical about the true intentions of management in this respect, Kersley et al. (2006) find that worker representatives, and especially JCC members, have increasingly become involved in company policies, with mutual trust being on the rise, again predominantly among JCC members *vis-à-vis* management.

Overall union density declined enormously in the last two decades of the 20th century. Since then, union density has stabilised, amounting to 28 per cent of all employed British in 2006, with this figure being just 16.6 per cent in the private sector. Coverage by collective agreement applies to 33.5 per cent of the workers economy-wide, but to only 19.6 per cent in the private sector (European Commission, Volume 2, 2008). Based on the 2004 WERS survey among British establishments with at least ten employees, 71 per cent of all British workers have some form of voice mechanism (union only, mixed, or non-union only); in the private sector, this percentage is 61. The share of JCCs at the workplace level amounts to 14 per cent overall, with 11 per cent in the private sector, varying from just five

per cent in enterprises employing 10 to 99 workers up to 22 per cent in 1,000-plus establishments (Kersley et al., 2006). So, while trade union representatives are still forming the majority, these recent developments have prompted commentators to raise the question as to whether the term 'single channel' is still appropriate (Davies and Kilpatrick, 2004; Rose, 2009). As formulated by Gospel and Willman (2003: 18), "the UK has already moved down the road of multi-channel representation and is likely to move further in this direction in future."

The Netherlands

In the industrial relations literature, the Netherlands and Belgium are sometimes treated as two members of a single cluster of similar countries (e.g., Katzenstein, 1985; Pichot, 2001). Arguments to defend this classification relate to common characteristics such as their small size and a corporatist tradition, which implies that workers' delegates participate in socio-political decision-making processes at the organisational, sectoral and national level. However, looking more closely at both countries' institutional arrangements makes very clear that the differences dominate over the similarities, as there are several key features that clearly set these two nation-states apart (Van Ruysseveldt and Visser, 1996; Van Gyes et al., 2009). As will be explained in greater detail below, the Dutch system is very similar to Germany's, whereas the Belgium is located much closer to the UK.

Shortly after World War II, the Dutch trade union movement was prepared to accept a compromise in which they obtained much influence at the industry and national level, whilst sacrificing their involvement within companies. Instead, works councils became legally mandated to represent employees at the organisational level, endowing employees at first with small-scale legal participation rights in the workplace (Windmuller et al., 1987). In the course of the following decades, the legal rights of works councils have been extended considerably, with the position of trade unions in the company remaining weak. Nowadays, Dutch works councils are a serious discussion partner for management within the workplace, being consulted on a broad range of issues that could affect personnel. Just like in Germany, the industrial relations in the Netherlands can be characterised as a dual channel system in which trade unions and works councils do, in principle, not interfere with each other's main tasks (distributive bargaining, and consultation and co-

determination, respectively). Works councils cannot call out a strike because they are legally required to serve the interests of the company at large. Although there are no formal ties with the trade unions, the latter do offer their support by providing advice and training facilities to works councils and their delegates. In fact, works councils most often consist of a majority of trade union members, although exceptions are anything but rare (Van den Berg, 2007; Fulton, 2011). In recent years, due to a trend toward decentralisation, works councils became more and more involved in negotiating the terms of employment at the company level. Moreover, in some sectors where the trade union is virtually absent, the works councils nowadays bargain over all terms of employment (European Commission, Volume 2, 2008).

Overall union density is estimated to be 22 per cent of all employed Dutch workers in 2009 (CBS, 2010), with no less than about 84 per cent of all workers being covered by a collective labour agreement, thanks to the common extension of agreements to the whole sector (European Commission, Volume 2, 2008). By law, installing a works council is mandatory as soon as a company employs at least fifty workers. However, if employees or unions do not insist, an employer is not fined and the works council does not come off, which happens quite frequently in smaller private enterprises. Economy-wide, 71 per cent of all eligible establishments in 2008 are estimated to have a works council. In the private sector, this ranges from 47 per cent in the transport sector to 81 per cent in manufacturing. In the public sector, this percentage is a very high 96. Differentiation by company size shows that about 52 per cent of the smaller firms (with 50 to 74 employees) have installed a works council, a percentage that is no less than 95 per cent for the 200-plus companies (Visee and Mevissen, 2009).

Belgium

In Belgium, too, representative employee participation was legally introduced in the early years after World War II. For all companies over fifty employees, so-called health and safety committees became mandatory (Rigeaux, 1982), while the larger companies (at first employing over 300 workers, but gradually declining to a threshold of 100 workers) had to erect a works council as well (Mus, 2010). Until 2008, the committees in the smaller establishments were only involved in matters concerning the health and safety of the

working environment, whereas works councils fulfilled a deliberative role in all remaining matters. Both employee representation bodies were and still are joint committees, in the sense that both employer delegates and employees' representatives hold seats. Only trade unions have the legal right to nominate worker candidates for the four-yearly elections. Although formally there is a clear division of tasks at the workplace level between the trade union delegation (they have the exclusive right to negotiate the terms of employment), on the one hand, and the works councils and health and safety committees, on the other hand, this dual channel system is clearly dominated by trade unions (Van Gyes, 2006; European Commission, Volume 1, 2008). All worker representatives are trade union members, and often a large part of the trade union delegation is seated on the committee and/or works council. As of 2008, in accordance with the Directive, information and consultation rights were extended to the health and safety committees in all 50-plus establishments without a works council. This was just in time to avoid a large fine imposed by the European Court of Justice, because officially Belgium was too late with the implementation, as a result of a controversy between trade unions and employer associations about the extent to which employee representation bodies within companies with less than 100 workers should receive additional rights (Mus, 2010).

Although official statistics are lacking, overall union density is estimated to be relatively high and stable over time, amounting to a percentage between 50 and 60 of the active labour force (Visser, 2011), and even between 75 and 80 when including all inactive workers. This is attributed to the fact that Belgian trade unions are closely involved in social security administration, whilst also delivering all kinds of services exclusively to their members. Moreover, because they are dominantly present at the firm level, they can be in close contact with the workers (Van Ruysseveldt and Visser, 1996). The union density rate differs significantly between blue- and white-collar workers, though: in 2000, about 99 per cent of the first group and 44 per cent of the second group was organised (Vandaele, 2004; Mus, 2010). These figures reflect the prominent position of Belgian trade unions at all levels of the economy – at the national, sector and company level. The total number of collective labour agreements that they conclude covers almost all workers, owing to legal extensions (Visser, 2011). Turning to the proportion of employees in the private sector represented by a council or committee, no reliable statistics are available. However, since

both the government and the powerful unions see to it that elections are held in all eligible establishments, the incidence of representative bodies is estimated to be high, probably close to 90 per cent. Based on a 2003 survey in Flanders, once more the smaller firms show lower percentages than the larger enterprises. In firms employing between 50 and 99 workers, 72 per cent of the eligible establishments has a health and safety committee. This percentage rises to 96 in 200-plus establishments, while the incidence of works councils increases from 84.5 per cent in establishments with 100 to 199 workers, up to 93.4 per cent in 200-plus establishments (Theunissen and Ramioul, 2005: 11).

The four countries compared

To further facilitate comparison, a few key aspects and figures of the four employee representation systems are summarised in Table 1.

Table 1: Key aspects and figures of four representation systems†

	Single versus dual channel	Union density rate‡	Coverage via collective agreements#	Incidence of I&C bodies in eligible workplacesψ	Incidence of I&C bodies according to firm sizeψ
UK	Single channel	28%	33.5%	11%	5% in 10-99 22% in 1,000+
BE	Dual channel: trade union dominates	50-60%	95-100%	89%	93-96% in 200+ 72% in 50-99
GE	Dual channel: works council dominates	20%	51-65%	10%	90% in 500+ 6% in 5-50
NL	Dual channel: works council dominates	22%	84%	47-81%	95% in 200+ 52% in 50-74

† Based on different sources mentioned in the main text; so figures in each column are not completely comparable. I&C = information and consultation.

‡ With respect to the employed population only.

With respect to proportion of workers in private and public sector together.

ψ With respect to private sector only, except for Belgium (economy-wide, excluding building industry and temp agencies); for the UK, these are the JCCs, and for Germany and the Netherlands only the works councils.

Comparing Belgium with the Netherlands, three noteworthy differences emerge. Firstly, although both countries have a dual channel system, in Belgium, in contrast with the Netherlands, the trade unions dominate, with trade unions being prominently active, backed by law, in Belgian enterprise-level employee representation bodies. Secondly, although in both countries mandatory works councils were introduced not long after World War II, the Belgian council or committee is of a bipartite nature, with the managing-director still operating as the chairperson of the council and with up to half of the works council members being employer's representatives; in the Netherlands, the works council became a pure employee representation body as of 1979. Thirdly, as we shall see below in greater detail, Belgian works councils mainly have information and consultation rights, whereas their Dutch peers have on top of that extensive co-decision rights. So, as a matter of fact, quite a few aspects of the Belgian industrial relations arrangements do bear more resemblance to the British ones (with trade union dominance, more discretion with the employer, and larger influence of employers within the representation bodies), rather than the Dutch. In contrast, the Dutch industrial relations system is very similar to the German counterpart (with far-reaching rights of the works council, a 'pure' employee representation body, and trade unions playing a secondary role in the workplace).

Comparison of legal employee representation rights

In the remainder of this section, all four countries will be briefly compared with respect to the same items: the right to share information, the right to be consulted, and the right of co-decision. For each of these legal rights, we will indicate whether they refer solely to social matters (including health and safety issues) or whether they extend to economic (financial and business) matters as well. Subsequently, attention will be paid to remaining rights in as far as they provide the worker representatives with noticeable influence on company policies. At that point in the argument, we will also discuss the bargaining role of employee representatives. The primary information for this section is from a few recent comparative legal overview studies (notably, European Commission, 2008; Hall and Purcell, 2011), with further relevant information supplemented from other sources.

Information rights

In order to be able to effectively represent their constituency, worker representatives at least need to be adequately and timely informed by management on all matters that could affect working conditions. The degree to which this is stipulated in the law differs per country, but the minimum requirements are formally codified in the Directive. The latter implies that, in all European member states, organisations (enterprises with at least 50 workers or establishments with at least 20 workers) are officially obliged to supply information about recent and expected developments of the organisation's activities and performance, in particular when there is a threat to employment (for instance, as a result of a planned downsizing operation or a business transfer transaction) or a likely chance of substantial changes in the work organisation. In practice, we do see substantial differences across the four countries under consideration here, especially between the UK, on the one hand, and Belgium, Germany and the Netherlands, on the other hand.

In the UK, not so much is formally codified in law. Even when the British government was preparing the implementation of the Directive, the way done so implied a "minimalist approach" (Hall 2005: 111) in order to maximise the flexibility of the companies involved. This reflects the voluntary tradition in British industrial relations. In short, this tradition implies that employers only have to provide the information as laid down in the Directive if at least ten per cent of the workforce (with a minimum of 15 employees) have requested the setup of an information and consultation (I&C) body. Five years after the introduction of the Directive, it turns out that the majority of all workplaces in the UK do not have an I&C body, which is ascribed to several closely connected factors. To start with, there is a lack of interest from the side of employees. These are not encouraged by the trade unions, as the latter fear that I&C bodies might threaten their role in collective bargaining. As a consequence, the majority of the employers decided not to take any initiative either (Purcell and Hall, 2011). The only remaining serious legal obligation for employers is to provide the necessary information to recognised trade unions needed in the context of conducting collective bargaining.

In the other three countries, the law specifies a wide range of items about which the employee representation body needs to be informed, relating to social and financial-economic issues. Codified law in all three countries requires explicitly that the employer

must provide this information in good time, so as to enable the worker representatives to act upon this information before it is too late. As to one aspect, the Belgian law is more forthcoming to workers than Dutch and German law, as here the employee faction of the works council has the statutory right to be always assisted by an external auditor. This external auditor further explains the contents of the supplied information, and s/he can judge whether this information meets the legal requirements of completeness and fairness (De Beelde and Leydens, 2002; Van Gyes, 2011). From their comparison of information rights in actual practice, Hall and Purcell (2011: 15) infer that “Belgium provides a unique case of very high levels of information provision”, which they attribute to the role of this external auditor, among other factors. In Germany and the Netherlands, works councils also have the right to call in expert advice (also from other experts than external auditors) at the employer’s expense, but this usually only happens on an ad hoc basis.

Consultation rights

The Directive does state explicitly that all concerned organisations should consult their employees about the same social matters that are specified in the information rights clauses, but does not so as to purely financial-economic issues. As follows from the above, this lower limit to employees’ prerogatives in the United Kingdom mostly implies the upper limit as well. In practice, where joint consultative committees were erected, a quarter of the managers reported that the JCC had a substantial influence on company decision-making, while another 62 per cent evaluates the JCC as “fairly influential” (Kersley et al., 2006: 130). However, as noted above, only about 11 per cent of all private firms have a JCC to start with. British law does further specify that in the case of redundancies or business transfers employees must always be consulted. In these circumstances, if there is neither an I&C body nor a recognised trade union active within the enterprise, the employer must organise an election of ad hoc representatives. The single exception to these feeble consultation rights is one other statutory provision in British law regarding working conditions at the workplace. Already in 1974, before any European directives in this area were issued, UK legislation was introduced that provided for health and safety representatives and committees (Knudsen, 1995). At first, only recognised trade unions played a role in these bodies, but as a result of a verdict by the European Court of Justice in

1994 nowadays all British workers have the right to be informed about and consulted in health and safety matters (Terry, 1999; European Commission, Volume 2, 2008).

In Belgium, too, the law stipulates that health and safety committees must be installed in all 50-plus organisations. As a consequence of the implementation of the Directive in 2008, in as far as organisations lack a works council but do have such a health and safety committee, the latter body is endowed with a part of the information and consultation rights of works councils. The health and safety committees may now give advise on social matters as specified in the Directive, whereas the works councils' rights are extended to financial-economic matters as well (FPS Employment, Labour and Social Dialogue, 2008). In Germany and the Netherlands, separate health and safety committees are absent, given the stricter works council law. That is, the works councils have to be consulted about these issues, next to about a whole range of other social and financial-economic matters.

When comparing the advisory rights as codified in the law of 26 EU countries in actual practice, Hall and Purcell (2011: 15) conclude that overall consultation "is much less likely to take place than information exchange", although a few countries are a clear exception to that rule. According to Biagi and Tirabioschi (2010: 553), Germany and the Netherlands (together with France) are specifically mentioned as "the systems where the consultative function appears to be most effective." Furthermore, there is a large difference between member states with respect to the subjects discussed in representative employee bodies. In line with the Directive, in many countries, the representative employee bodies primarily focus on social matters. For instance, in Belgium, a (rather old, but still the most recent) survey of 2003 revealed that the central themes during the so-called "social dialogue" concerned health and safety, and working time rules (including holiday arrangements), whilst the more economically oriented themes such as consultation on financial matters and sustainable development were not on the agenda at all in the majority of cases (Van Gyes, 2011). By contrast, the Dutch works councils are reported to be actively involved in all major strategic decisions, such as large investments, restructuring programs and take-over initiatives (Van het Kaar, 2011). So, based on the information we gathered, the consultation rights of Belgian works councils seem to be less extensive than the ones of their Dutch and German counterparts, although by law the

Belgian works councils also need to be consulted in the case of restructuring policies. Even Belgian expert jurists themselves state that “the specific gravity of the Belgian works council is limited” when compared with Germany and the Netherlands (Steyaert et al., 2009: 35). They attribute this to the fact that Belgian law does not enforce employers to take the works council’s advice into account, contrary to in both neighbouring countries where the law endows the councils with a strong right of appeal.

Co-decision rights

The most far-reaching prerogative of a representative employee participation body is the right to co-decide on company matters. Not many countries have incorporated this right into their legislation, or have done so to a (very) limited degree only. As Biagi and Tiraboschi (2010: 557) remark, the right to decide jointly, “which unlike the others is found only in a few of the systems considered, seems for the most part to be held by unitary elected bodies and (in dual-channel systems) not by bodies linked with trade unions, which are generally responsible for collective bargaining.” So, it does not come as a surprise that neither in Belgium nor in the UK workers are endowed with many co-decision rights, if any at all.

Given the voluntarist tradition in the UK, British workers formally have no rights to co-decide at all. There used to be one exception to this custom, which referred to so-called ‘status quo-arrangements’ in collective labour agreements that saw to it that employers could not unilaterally change the working conditions before they had acquired the approval of the trade union representatives. When the position of the British trade union movement drastically declined in the 1990s, the employers seized the opportunity to remove this co-determination right of workers, arguing that it interfered with their managerial discretion of self-determination (Kemperink, 2004: 59).

In the context of comparative European legal overviews (Carley et al., 2005; European Commission, Volume 1, 2008; Fulton, 2011), Belgium is often mentioned as one of the countries where co-decision rights are granted to works councils. However, if we look more closely into the legal details, we can clearly observe that these rights are much less extensive than in Germany and the Netherlands. In Belgium, the right to co-decide is only granted with respect to a few specific social issues, namely (a) the drafting and

changing of work regulations (containing items such as the settlement of the work timetable, terms of notice, rights and duties of the staff, and disciplinary measures), (b) setting the dates of the annual holidays, (c) the management of social benefits (pension funds, and facilities such as a canteen and a sports club), and (d) the settlement of the criteria for redundancy and re-hiring.

For German and Dutch works councils, the range of topics as to which they must give their approval is much broader, albeit mainly with respect to social issues and as long as the issue in question has not already been regulated via collective labour agreements between employer associations and trade unions. All these topics are carefully specified in the law. The key requirement is that as soon as a decision has to be or is about to be made that will affect employment or any aspect of the working conditions, the employer needs to ask permission of his works council first. If the works council decides to withhold its consent and the employer either disregards this or does not agree, all parties involved have the right to appeal. Even though exact figures are lacking (most research is based on data from ad hoc samples), experts in the field have concluded that Dutch works councils heavily use their co-decision rights (Fulton, 2011: 3). In line with this, Biagi and Tiraboschi (2010: 558) conclude that “[t]he mere fact that co-determination is provided (even if only for a limited number of matters) explains the powerful and influential role of the *Betriebsrat*” (i.e., the German works council).

Other prominent rights

Other (legal) prerogatives for representative employee participation bodies are too diverse to be fully treated here. Nevertheless, there are a few additional rights granted to worker representatives that give them (more or less) influence on company policies. We will focus on these additional rights here. In this respect, we will briefly touch upon the right to monitor and the right of initiative, in as far as these play a role in our four countries. Finally, we will reflect on the right to bargain by the two different groups of worker representatives: works councils ‘versus’ trade unions.

Very specifically, in Belgium, Germany and the Netherlands, works councils have the legal task to monitor whether the company behaves in line with labour regulations and complies with all stipulations of the collective labour contract. In the British system, the

health and safety regulations have endowed the 'safety reps' with quite some legal rights (much more than any other British group of worker representatives), among which inspection rights, for which they also receive time off (James and Walters, 2002). The fact that by means of monitoring activities management can be held accountable by employee delegates, contributes to tackling (or even preventing) potential opportunistic behaviour by managers (see Van den Berg, 2004).

The right of initiative can be found in all three countries with a mandatory works council, but this right relates to different matters in each of them. In the Netherlands, this right implies that works councils can come up with their own proposals on 'all topics relevant to the enterprise'. The text of the Dutch law even encourages works council delegates to promote the environment, and to advance equal opportunities for men and women, minority groups and disabled workers. In German law, similar guidelines for works councils have been introduced in the field of furthering equal opportunities and combating racism at work. Moreover, since the amendment of the law in 2001, German works council representatives have the right to submit proposals on how to promote and protect employment in the company in the broadest sense, hence putting forward different ways to preserve jobs such as introducing flexible working schemes, part-time functions, and (re)training employees (Biagi and Tiraboschi, 2010: 553-554). In Belgium, one article in the law on works councils can be interpreted as the right of the works council to take initiative, and to come up with any proposal concerning the "organisation of work, labour conditions or company performance" to "further the collaboration between directorship and employees" and "to investigate the criteria for hiring and firing workers" (Steyaert et al., 2009: 194).

The final prerogative of worker representatives that we would like to discuss here concerns the right to bargain over the terms of employment. Traditionally, in all four countries, this role was the exclusive territory of trade unions; and in Belgium, this is still the case. Earlier in this paper, we already noted that the distinction between trade unions (as the sole negotiators) and works councils or joint committees (as the representative bodies that fulfil a purely deliberative role) has becoming fuzzy over the years, or was already blurred from the start. Even in the traditional dual channel systems of Germany and the Netherlands, with the trend toward decentralisation, works councils are

increasingly involved in activities relating to company-level bargaining over terms of employment.

With respect to the role of the trade unions, Belgium is a special case. This is the only country of the four under consideration here where the law explicitly expresses that the right to bargain and to sign collective agreements is reserved for the recognised trade unions (Van Gyes, 2006: 68). In addition, the trade union delegation has the exclusive right to nominate candidates for the works council. In practice, this often implies that many worker representatives are wearing two hats: especially in smaller establishments, they are seated in the works council and in the trade union delegation at the same time (Fulton, 2009). And even if this is not the case, the works council's employee members are subordinate to the trade union delegates, as the latter are exclusively entitled to appeal against employer's decisions, handle employee complaints, actively monitor the observance of the law and collective agreements, and negotiate on all terms and conditions of employment at the workplace (Van Ruysseveldt and Visser, 1996: 256-259). According to Rigeaux (2000: 14), this may have an adverse effect on the provision of information by the employer. Indeed, more often than their German or Dutch counterparts, Belgian employers tend to resort to their legal right of demanding confidentiality from the works council members. When it comes to the employers' duty to provide financial-economic information to works council members, they may even withhold this by referring to pressing competitive reasons (Steyaert et al., 2009: 240-241).

Employees in the UK for a long time used to be represented solely by trade unions and their shop stewards, who bargained over the terms of employment, albeit without a legal basis. As set out above, British trade unionism has declined drastically, and its representative position in the firm has only for a relatively small part been substituted or complemented by the establishment of JCCs by employers, which also partly consist of employer's delegates. There is no statutory right for any employee representative to negotiate over the terms of employment, unless a trade union has been recognised as the bargaining party by the employer. Based on the large WERS polls 1998 and 2004, Addison et al. (2009: 41) infer that four-fifths of all workplaces have no collective bargaining agreement. In the vast majority of all companies, labour conditions are set unilaterally by management, with the possibility that workers may be consulted either directly or

indirectly via the JCC. Earlier, we already noted that shop stewards as well as JCC members are both occupied with negotiation and deliberative activities, with the trade union delegates having a relatively larger role in bargaining than the non-union representatives. Hence, in the UK, the distinction between the roles of the two types of worker representatives seems not to be so clear-cut. Some observers have expressed their worries about this emerging 'dual channel' system, as they claim that workers are better off with trade union representation, as trade union delegates are independent from the employer, have more resources and are more knowledgeable (Davies and Kilpatrick, 2004: 127-128).

Until approximately the 1990s, Germany and the Netherlands had a pure dual channel system, with a strict allocation of tasks over trade unions and works councils. In both countries, the prerogative to bargain over the terms of employment was strictly at the side of trade unions. By law, works councils were simply not allowed to engage in this role. However, the decentralisation trend in both countries implies that works councils are increasingly involved in negotiating the details of sector agreements at the firm level. In Germany, this is referred to as 'works agreements' (Addison et al., 2009; European Commission, 2008). Additionally, two more developments are noteworthy. In Germany, so-called 'pacts for employment and competitiveness' have been introduced in which employer and works council agree to preserve jobs in exchange for foregoing on certain worker rights and benefits. This is occurring on quite a large scale, applying to 23 per cent of all 20-plus to 46 per cent of the 1,000-plus enterprises in 2003. This has raised the issue as to whether or not such deals imply a violation of the rights of sectoral bargaining parties (Addison et al., 2009: 6-8). In the Netherlands, a similar discussion emerged with respect to the growing incidence of works councils that conclude so-called 'enterprise agreements' with the employer, such agreements replacing collective labour agreements altogether. Especially in industrial sectors where trade unionisation is very low (such as IT), enterprise agreements are on the rise. As these have a different legal status, the works council is allowed to negotiate and sign such deals (European Union, 2008; Voogswaerd, 2009: 29-33).

Intermediate evaluation

An evaluation of the observed cross-country similarities and differences in terms of the rights of worker representatives is summarised in Table 2.

Table 2: Comparing workers' influence in four countries

	Information rights	Consultation Rights	Co-decision rights	Right to bargain	European Participation Index[†]
UK	*	*	-	Only recognised trade unions	0.16
BE	***	**	*	Only trade unions	0.42
GE	***	***	***	Trade unions and works councils	0.61
NL	***	***	***	Trade Unions and works councils	0.67

Explanation of the symbols:

- non-existent

* basic

** medium

*** strong

† European Trade Union Institute (2011: 98)

In the UK, clearly, workers and their delegates enjoy the fewest formal rights. This is the consequence of the voluntarist tradition in the liberal British industrial relations system, in combination with the strong decline in trade union membership since the 1980s. The latter has prevented trade unions from lobbying effectively for and enforcing more rights. So, the workers' interests are, for better or worse, defended by a mix of shop stewards, employee members of JCCs and other non-unionised delegates, none of these having much formal power. The main rights endowed to British workers are, in fact, the result of EU membership. Several European directives compel nation-states, among which the UK, to enact measures that enhance workers' rights and well-being.

Next comes Belgium, of which observers agree that despite the strong mandatory nature of representative employee participation, which endows worker delegates with very extensive information rights and considerable advisory rights, the ensuing health and safety committees and works councils are not that powerful, at least judging on the legal provisions that are in place. This state of affairs might be attributed to several factors, among which the equal representation of employee and employer delegates in these representation bodies, and the dominance of trade unions in the Belgian industrial relations system of what is referred to as 'social dialogue'.

Finally, although the Dutch and German industrial relation systems are not exactly identical, they end up about *ex aequo* in our overview of rights endowed to workers at the establishment level. In both countries, works councils operate rather independently from trade unions. And in both countries, works councils are bestowed with an impressive array of legal rights, among which the influential right to co-decide and, if necessary, the right to court appeal if a decision by management leads to insoluble disagreement. In addition, works councils in both countries are increasingly active in a bargaining role. By so doing, they offer, in a way, competition to trade unions.

To the above, we can add further information from a quantitative comparison of all EU countries with respect to workers' rights. The European Trade Union Institute (ETUI) has developed a so-called European Participation Index that classifies all 27 EU member states in two separate groups according to their scores on three equally weighted aspects: board-level participation, plant-level participation and collective bargaining participation. The UK and Belgium are situated in the group with weaker participation rights (scoring 0.16 and 0.42, respectively), while Germany and the Netherlands are in the group with stronger rights (scoring 0.61 and 0.67, respectively). Subsequently, ETUI analyses (2009 and 2011) show that countries with stronger employee participation rights outperform their counterparts with weaker worker participation rights on aspects concerning GDP per capita, labour productivity, employment levels, gross domestic expenditure and a range of other macro-level performance indicators.

These findings thus suggest that countries – and so the individual enterprises within these countries – may benefit from granting workers more participation rights, as assumed in the Directive. Of course, further work is needed to deal with the causality issue, as we

cannot be sure whether countries perform better due to stronger employee participation rights or whether better performing countries are more likely to introduce stronger worker rights. Either way, our cross-country comparison of employee representation systems suggests that any study into the impact of worker involvement on organisational performance cannot ignore the institutional context.

The dominant theoretical framework

In the industrial relations literature, much attention is paid to employee voice – not only at the board level, but at least just as much at the workplace level. The underlying thought is that involving workers (or their representatives) in company policies by informing them, by consulting them and maybe even by granting them co-decision rights, may have a positive effect on the way in which the company functions and performs. The theoretical notions concerning the impact of employee participation on firm performance were developed at an early stage by Hirschman (1970), followed later by further work in economics such as that of Freeman and Medoff (1984). Their work concentrates on the impact of voice by unionised employees. At a later stage, Freeman and Lazear (1995) and Kaufman and Levine (2000) constructed a theoretical framework specifically designed for analysing the economic effects of representational participation (cf. Kaufman and Taras, 2010; Marsden and Cañibano, 2010). All these studies, being heavily rooted in economics, weigh the costs of worker involvement against the benefits, emphasising theoretical arguments in favour of employee voice. In this context, the arguments refer to win-win outcomes, as is clear from such labels as ‘mutual gains theory’ (Lewin, 2010: 447) and ‘a plus-sum logic’ (Knudsen, 1995: 20).

In his seminal work *Exit, Voice and Loyalty*, Hirschman (1970) argues that individuals who are dissatisfied about their economic or socio-political circumstances have two options: either to opt out (exit) or to stay in and express their complaints (voice). Depending on the situation at hand, either exit or voice strategies will be pursued, since either exit or voice is more efficient and effective. According to Hirschman (1970: 40), “in comparison to the exit option, voice is costly and conditioned on the influence and bargaining power customers and members can bring to bear within the firm from which

they buy or the organizations to which they belong.” A consumer who is displeased with the price and/or quality of a product in a competitive market is more likely to opt for the exit strategy – i.e., to turn to another supplier. A frustrated employee can more easily find like-minded colleagues, so that they could decide to raise their voice collectively in an attempt to bring about changes.

Freeman and Medoff (1984) elaborate on the exit-voice trade-off solely in a setting of unionised labour markets. Without union representation (or, for that matter, without any other form of worker protection), dissatisfied employees have no other alternative but to quit from the firm. Probably, this may well induce a great loss to this firm when those leaving have knowledge and skills that the newly hired employees still lack, causing a drop in productivity. Such a productivity drop, by the way, could also result if dissatisfied workers decide to stay on, but suffer in silence. So, in line with Hirschman’s arguments, Freeman and Medoff (1984: 8-9) state that a trade union could step forward on behalf of its members, and express their grievances. According to Freeman and Medoff, the importance of this institutionalised collective voice mechanism is twofold: on the one hand, workers on their own tend to withhold information that might be valuable to the organisation as a whole, as others may gain more from this shared knowledge than they themselves (due to the public good character of information); on the other hand, individual workers may refrain from open criticism as they do not want to run the risk of getting fired as a result of their frankness.

The traditional counterargument against allowing workers a (collective) voice holds that employees essentially have different interests than firm owners and managers. Hence, by giving workers a say in company policies, the firm runs the risk that a large part of the surplus goes to labour instead of capital (Freeman and Lazear, 1995). In the context of this argument, the assumption is that workers seek higher wages and preservation of jobs, even in bad times when the firm would be better off by reducing employment. In contrast, other scholars point to the possible opportunistic role of managers in situations where employees have invested in firm-specific knowledge, but do not enjoy (much) protective rights, which may lead to a suboptimal outcome at the expense of capital (see, e.g., Smith, 1991; Blair, 1999; Addison, 2009).

Freeman and Lazear (1995) acknowledge that both employees and employers have incentives to pursue their own interests (at the detriment of the other), which can only be avoided if workers' delegates inside the firm do not have a bargaining role, but instead concentrate on such rights as information sharing and consultation. Additionally, these rights should be protected through legally mandated works councils. Next, Freeman and Lazear show theoretically that the deliberative rights of works councils may actually improve the joint surplus, benefiting employees and employers alike, for three reasons. First, sharing information can improve communication between management and workers' representatives, which in turn can enhance trust. This proves to be especially relevant in bad times by preventing industrial unrest, and hence by avoiding a decline in labour productivity. Second, consultation of the works council by management may help in solving organisational bottlenecks, as employees can have valuable input in finding solutions. And third, co-determination rights give employees more control over their own working conditions and work security, which prompts them to stay loyal to the firm in the longer run. In that way, the interests of workers and shareholders will be better aligned.

Kaufman and Levine (2000), too, present an economic analysis of (non-union) employee representation, in which they focus on the American context: in this institutional setting, such a representative employee body is initiated voluntarily by the employer, but only if the efficiency gains for the firm exceed the (transaction) costs, and only by assuming that the gains are not being offset by losses in bargaining power. Several of the gains already put forward in the earlier work discussed above emerge in this setting as well. Additionally, Kaufman and Levine discuss a few extra potential cost categories (see below). On top of this, interestingly, Kaufman and Levine (2000: 153-158) point to three reasons as to why the installation of an employee committee could be beneficial in the face of different types of market failure.

First, especially in large enterprises, imperfect information and oversight might necessitate the input of employee representatives to improve coordination, at least if this representative worker committee can circumvent the many layers of hierarchical decision-making. Second, employee representation may be needed in order to motivate workers, which in turn enhances productivity. This is particularly desirable if public goods such as health hazards and safety arrangements play an important role in the workplace, since

these induce workers to free-ride: everybody hopes that someone else will decide to demand improved facilities in the workplace. Through a representative employee committee, workers would be more incited to reveal their preferences. In addition, they will be more inclined to express dissatisfaction, and they will be better informed about developments that may affect their work, which all contribute to trust and cooperation. Third, a representative employee committee can curtail opportunistic behaviour by lower management, which would otherwise go unnoticed by the top executives.

This third argument is elaborated in more detail in other studies (e.g., Furubotn, 1988; Blair, 1999; Addison, 2009). Given an unequal power balance between employers and employees, the latter are dependent on the former in retaining their jobs and terms of employment. Especially if workers have invested their human capital in firm-specific training, they stand much to lose if fired. Knowing this, workers might be inclined not to make specialised investments in the first place, in which case the company foregoes part of the potential returns to investment in human capital. The installation of a representative employee body could be an appropriate answer here, as worker delegates could monitor the observance of labour agreements and fair treatment by management. As a result, employees will put more trust in the firm, and are more willing to make an extra effort for the sake of the enterprise.

Of course, employee representation also produces extra costs, as Kaufman and Levine (2000: 158) argue. They distinguish between direct and indirect costs. The most important components in the first category of direct costs consist of lost working hours due to council meetings and schooling activities, the costs of the facilities used by the representatives, and disbursements related to the hiring of outside professional expertise. The second category of indirect costs includes adverse effects on the functioning of the firm (a) due to a possible lack of know-how of employee representatives and (b) because they may slow down decision-making processes. In addition, in a non-union environment, the establishment of a representative employee committee could raise the average earnings because, as a collective representative of the workforce, the worker representation body will have more bargaining power.

The theoretical arguments set out above have been translated into testable hypotheses for the purpose of empirical studies into the impact of employee representative participation on organisational performance, for which several indicators are considered. The main results of the empirical literature will be discussed in the next section, but already here the most common hypotheses will be presented, as they follow directly from the theory. We do so for the five most widely studied organisational performance outcomes.

First, for *labour productivity*, the presence of an employee representation body is expected to have a positive effect. This is not only so because worker involvement will encourage workers to become dedicated to their firm, which is transformed into higher effort and hence higher productivity, but also because the regular consultations between workers and management may provide the latter with useful information that can be applied to enhance efficiency.

Second, for *labour turnover*, the expectation is that employee representation will reduce the number of involuntary dismissals and voluntary quits. This prediction does not only follow from the argument that worker representatives are supposed to stand up for the interests of the firm's personnel when their jobs are at stake, but also from the observation that the possibility of voice increases the workers' commitment to the firm. The latter may be stimulated as well by the fact that workers can rely on their representatives to monitor the behaviour of management, overseeing managerial compliance with the rules such as those agreed upon through the collective labour agreement.

Third, for *profitability*, the theoretical expectation is not so straightforward. On the one hand, if a works council or equivalent employee representation body can motivate personnel to put more effort into the firm, the resulting increase in productivity could affect profits in a positive way; on the other hand, if the employee representatives would abuse their prerogatives – for instance, by delaying the decision-making process and engaging in rent-seeking (e.g., by defending employment at all costs) –, then this could impact profitability negatively. Taken together, the net effect of employee representation on profitability is unclear.

Fourth, for *wages*, in spite of the fact that collective labour agreements are still most often determined by trade unions, works council delegates may be able to influence the wage level in their own company positively. After all, each firm is allowed to pay higher wages than agreed upon in a collective labour agreement at the sector level. This implies that if an effect of worker representation on wages will be found, the expected sign must be positive.

Fifth and finally, for *innovation*, the effect of a worker representation body depends on the type of innovation involved. Workers are likely to oppose process innovation because this may lead to lay-offs, while they are expected to support product innovation since this may be beneficial for employment. An employee representation might effectively communicate to its rank and file what kind of innovation is planned by the company's management. Hence, worker representation may have either a negative or positive impact on innovation activities.

Criticism

All of the expected effects of employee representation introduced above have in common that they have subsequently been tested empirically by analysing the relationship between the mere presence of an employee representative body, on the one hand, and one or more organisational performance measures, on the other hand. This approach assumes that the existence of a worker representation body per se is a sufficient condition to enable the researcher to empirically establish employee representation's impact on labour productivity, personnel turnover and so on. However, this neglects the fact that the practice of employee representation in the real world implies that many works councils or similar employee representation bodies do not function adequately, or even do so poorly. This can be attributed to all sorts of reasons, ranging from disinterest from the side of the workers to obstructive managers frustrating employee voice.

Irrespective of the deeper causes of malfunctioning representative employee participation, a failure to differentiate between good and bad functioning worker representation committees may lead to biased results when only estimating the effect of their simple presence on firm performance. Criticism on the above line of hypothesising and testing has predominantly been issued by social scientists. Inspired by the work of

Kotthoff (1981 and 1994), who distinguished between different types of German works councils that each shows different behaviour toward management, Frege (2002, 2003) convincingly argues that even in the case of legally mandated works councils this legal backing is not a sufficient guarantee for mutual cooperation between employees and management. “What might be useful, though, is the incorporation of the sociological insights, such as different types of works councils, into economic analysis. One should not forget of course that works councils were never introduced to enhance the performance of the firm in the first place: they were introduced to enhance the democratic rights of employees” (Frege, 2002: 239).

According to Frege (2002: 226-227), Kotthoff (1981) was the first to take into account that worker representation committees can take different forms and that, as a consequence of this variation, they can be more or less effective in representing the rank and file. On the basis of practical research, he developed a works council typology consisting of seven ideal-types, which in turn could be divided in two distinctive main groups. The first group consists of ineffective types, which includes works councils that are either ignored by workers and/or by management, or that are purely used by management as a communication tool in order to control the workforce. The second group consists of effective types, in which works councils with more or less force stress mutual interests, seek respect and compromise, or aim to defend the workers’ interests quite strongly – if necessary by organising industrial action in cooperation with the trade union, and hence seeking conflict.

In all likelihood, different works council types will have a different impact on organisational performance. Therefore, the standard theoretical framework that focuses on the relationship between the mere presence of a representative workers’ body and firm performance should be extended. For instance, a works council with a well-disposed attitude of employee representatives toward management and vice versa will have quite a different impact on organisational outcomes as opposed to the case where either or both parties adopt a rather antagonistic stance. In other words, group dynamics (parties’ attitudes, internal dynamics and interaction processes) play an important role in determining the influence of representative employee participation. This not only includes

the relations between employees' and employers' representatives in a works council type of body, but also the attitude, behaviour and role of trade unions.

Moreover, we have to take into account that a representation body might consist of both employee and employer delegates. Intrinsically, these subgroups may well have divergent interests, which in turn might have an adverse effect on trust and cooperation, and hence on the effectiveness of representative participation. In addition, all these mutual relations will in turn be influenced differently in divergent institutional settings. Depending on the jurisdiction under consideration, workers and their representatives have more or less legal rights (and obligations), which impacts the degree in which representative participation can play a role in determining the functioning and performance of the firm. This includes the aspect as to whether or not worker representatives have acquired bargaining rights, and how they make use thereof.

Empirical evidence

In this section, we will give a brief outline of the most noteworthy quantitative empirical studies that analyse the relationship between the presence (and sometimes functioning) of a worker representation body and firm performance in our set of four countries. As said before, most econometric work has been performed on German data. We will not present a complete overview of this dominant stream of empirical studies, as this has already been done by, most notably, Addison and colleagues (2004 and 2009), and Jirjahn (2006 and 2010). For the other three countries, much less empirical work is available that deals quantitatively with the impact of representative participation on firm performance. In these cases, therefore, our aim is to provide a (close to) complete overview of the relevant quantitative empirical studies. Without going into any (methodological) detail, we will pay attention to different organisational outcomes, among which the five that have been the main focus of theorising (see above): profitability, productivity, wages, labour turnover and innovation. We start our review with Germany, the country with by far the longest and most extensive empirical tradition. The German findings will serve as a benchmark in our discussion of the empirical evidence as to the Netherlands, UK and Belgium.

Germany

In their extensive reviews of the literature, Addison et al. (2004) and Addison (2009) distinguish three phases in German empirical research on the effect of works councils on firm performance. First, early period studies were based on rather small data sets containing about a few dozen companies operating in a single industrial sector and, most often, located in one or two regions. Second, in the intermediate period, much larger data sets were explored, but still not with economy-wide samples. Third, in the modern period, nationally representative panel data containing firms from many industrial sectors and all German regions became available. During these three phases, empirical findings have changed considerably.

All early studies report an unfavourable effect of the presence of works councils on any measure of firm performance, which is nowadays attributed mostly to the small number of observations, the lack of sufficient control variables and doubts about representativeness. The second and third phases in this research tradition have produced more robust results thanks to the much larger data sets, and have come up with evidence that works councils can impact firm performance favourably as well, although the findings remain mixed. Below, we briefly discuss the outcomes of a few of the most commendable studies that used the larger-scale data from the intermediate and modern period of German works council research. Here, we are not so much interested in the use and impact of different estimation methods – even though they can influence the estimates heavily, as Jirjahn (2010) convincingly argues –, but we will address the importance of the composition of the different data sets as these have a decisive effect on the possibility to test the theoretical hypotheses.

In the second phase, most researchers in this field made use of data from the four waves of the Hannover Firm Panel (1994-1997), containing about 700 to 1,000 observations of Saxon manufacturing enterprises. We begin by looking at a study by Addison et al. (2001), as these authors can be considered as a team of very experienced works council investigators. In this particular study, they analyse the effect of works council presence on all five performance indicators referred to above. In a nutshell, the main results are the following. The incidence of a works council increases labour productivity and wages, decreases labour turnover and profitability, and has zero effect on

innovation. Subsequently, they re-estimated all models on a subsample of firms with 21 to 100 employees in an attempt to distinguish between works council types of smaller versus larger companies. Here, they find a significant effect on wages and profitability. However, they express their regret about not being able to take into account the possible influence of trade unions, which is attributed to an unreliable measure of the union density rate in the sample. This weakness is repaired by Hübler and Jirjahn (2003). In this study, the same data set is explored, but after incorporating the variable 'collective labour agreement'. They report that works council presence positively affects wages in all establishments (which goes against their hypothesis that union coverage would make a difference), but that the impact on productivity is only significantly positive in firms covered by a collective labour contract. This latter finding confirms the notion that when distributive bargaining takes place outside the establishment, management and works council stand a higher chance to work together in harmony, which enhances firm performance.

In this second phase, yet another very interesting data set has been used, though less frequently so. This concerns the eight waves of the NIFA Panel (1991-1998), containing between 1,000 and 1,600 observations of machine tool factories all over Germany. The great advantage of this data set is that different categories of works councils can be distinguished. Hence, studies can move beyond just analysing the effect of the mere presence of this entity. Two features of works councils are included: (1) their degree of active involvement in consultations with management; and (2) a characterisation of their attitude towards management. This leads to a fivefold typology with the labels 'antagonistic', 'tough', 'cooperative', 'passive' and 'excluded by management'. Frick (2002) finds a very strong positive effect of antagonistic works councils on the number of high-performance work practices, while Dilger (2002) establishes that the tough and the cooperative works council types stimulate the introduction of flexible working-time arrangements, contrary to the other three types. In addition, Dilger reports that works councils that are more involved in deliberation lead to less adverse effects than works councils in general, and that they have a stronger positive effect on product innovation.

In the third and current phase, the vast majority of studies are based on the consecutive waves of the IAB Establishment Panel that took off in 1993 and is still running, questioning about 16,000 enterprises annually nationwide across 17 industries.

Unarguably, this data set offers many advantages as compared to its more limited predecessors. However, in his recent overview, Jirjahn (2010: 13-14) does warn that this new panel is associated with substantial firm heterogeneity. Enterprises in the different industries face different challenges in terms of competition, technology, workforce composition, et cetera. This heterogeneity is reflected in the very mixed findings of the dozens of empirical studies, as well as the large variety of estimation methods that have been applied. Addison (2009: 98-102), too, concludes in his literature survey that several (methodological) difficulties persist as the use of one and the same data set produces different outcomes for the same performance indicators.

The number of IAB-based studies is too large to be reviewed exhaustively in the context of this paper. Therefore, we refer to the two abovementioned reviews by Jirjahn (2010: 11-37) and Addison (2009: 69-102), respectively, for further details. Here, we must suffice with the observation that the IAB-based analyses have explored the impact of works council presence not only on the usual five performance indicators, but also on plant closings, employment growth, the hiring of temporary workers, labour satisfaction, training, and even 'family-friendly personnel policies'. Often, the results are mixed, coming up with significant but opposite signs, or at times reflecting insignificant coefficients.

One particular wave of the IAB Panel is worth mentioning specifically. This concerns the 2006 questionnaire that contains the once-only inquiry about the cooperativeness of the works council. This offers the opportunity to take the nature of the relation between management and works council into account when explaining the effects of the latter on firm performance. Remarkably, until today, we encountered only one single IAB-based study that explicitly aims to do just that; this is a recent study by Pfeifer (2010). He distinguishes three council types: type 1 works councils mostly agrees with management's decisions and hardly bargains over them; type 2 works councils often hold a different view than management, but after negotiation consensus is usually reached; and type 3 works councils not only bargain with management, but also usually fail to reach an agreement. The estimation results firstly indicate that type 1 works councils are associated with a significantly positive effect on productivity (compared to firms without worker representation), whilst this positive effect is even twice as strong for type 2 works councils. Secondly, "the productivity enhancing effect of works councils is larger in firms with a

collective contract” (Pfeifer, 2010: 11). Thirdly, all three types have an upward effect on wages. This effect is strongest in enterprises with type 3 works councils, where wages are found to be about 30 per cent higher than in firms without a works council, which is attributed to rent-seeking behaviour. Fourthly, this also explains why type 3 works councils are found to have a stronger negative effect on profitability than the other two types.

In current German research into the effects of worker participation, other data sets are analysed as well, albeit on a more ad hoc basis and usually containing much less observations. We conclude this subsection on Germany with a brief discussion of two insulated but nonetheless noteworthy studies. The first is Nienhüser (2009), who uses a variant of the five-fold works council typology of the NIFA Panel in a telephone interview conducted with 1,000 HR managers in 100-plus firms so that he is able to distinguish between four works council types on the basis of two dimensions: weak versus strong and willing to cooperate versus less willing to cooperate. The first set of regressions indicates that strong works councils conclude more works agreements than their weaker counterparts. So here only the power dimension plays a role. In the second set of analyses, the determinants of management’s assessment of the works agreements are analysed, revealing that works councils less willing to cooperate affect management’s valuation of the agreement negatively.

The second is Jirjahn et al. (2010), which is interesting for two reasons. This study concerns a stand-alone survey with 241 responses from top managers in small and medium-sized establishments, incorporating questions about the perceived influence of a works council, on the one hand, and the works council’s relationship with management, on the other hand. The first analyses show that the longer a works council is already active in the firm, the more influential the council is and the better is mutual understanding with management. A second series of analyses reveals that works councils increasing in age have a significant beneficial effect on both productivity and quit rates, where the first effect slightly diminishes after 30 years of existence. This work of Jirjahn et al. (2010) adds a dynamic dimension to the literature: as works councils learn over time, they are better able to contribute to a well-functioning company.

The Netherlands

Although the Dutch have a long history with works councils, the economic effects of these employee representation bodies have not been subject of quantitative empirical research until quite recently. Many in the Netherlands have studied industrial relations and the place of works councils therein through mostly qualitative research methods. In this tradition, the econometric perspective is missing, by and large. Recent and notable exceptions are Van den Berg (2009 and 2011) and Sapulete et al. (2011), exploring in a quantitative way two different data sets, which are both not that recent but at least contain one or more variables that allow to estimate the effect of Dutch works councils on firm performance.

The first data set stems from a nationwide questionnaire conducted in 1997 among 475 managers and 407 works council members. Because (a) too few employee and employer respondents belong to one and the same organisation and (b) the question about firm performance was only posed to management, the empirical analyses so far have concentrated on the subsample of the managers. Contrary to most German data sets, this one only includes organisations operating with works councils. However, since several questions were asked that deal with the actual functioning of the works council and the management team – works council relation, a look into the black box of representative employee participation is within reach. Moreover, the sample includes public sector organisations as well, which is not the case in German studies, even though both countries have works councils in the public sector.

We will discuss two studies based on this data set, both performed by Van den Berg et al. (2009 and 2011). Van den Berg et al. (2011) investigates the effect of four ‘co-determination characteristics’ on the economic position of the organisation, classified as healthy/strong versus (somewhat) worrisome/weak, for private sector enterprises and public sector organisations separately. These four explanatory variables are (1) the attitude of management toward the work council, (2) the attitude of the works council toward management, (3) whether or not works council delegates are timely involved in organisational decision-making and (4) whether or not they slow down the decision-making process. For the private sector subsample, the impact of three out of these four variables turns out to be significantly positive. Management’s willingness to cooperate with

the works council enhances the firm's economic position, and so does a constructive attitude of the works council toward management. Moreover, the earlier the works council is informed and asked for advice, the better this works out for the organisation. For the public sector subsample, a positive attitude of management toward worker delegates improves the economic position of the organisation, again, but the effect from a cooperative attitude of the works council is insignificant. Contrary to the private sector subsample, involving the works council in an early stage is not beneficial, while works councils that slow down decision-making contribute negatively to the economic position of the organisation. The cautious conclusion is that co-determination does have an effect in both sectors of the economy, but partly with a divergent outcome, which is attributed to the different working environment of the private vis-à-vis the public sector.

This last finding is confirmed by the second study of Van den Berg et al. (2009), in which rather indirect measures of firm performance are analysed: how managers perceive the impact of works councils on a range of organisational outcomes. The private sector models satisfactorily explain the perceived works council's effect on efficiency and innovation, but for the public sector models these dependent variables are far from significant. This is ascribed to the likely fact that public sector managers focus on quite different organisational targets. So, instead, the public sector subsample is used to explain the determinants of the perceived works council's effect on personnel's acceptance of managerial decision-making outcomes and on faster decision-making, respectively. In all models, the focus is on the impact of the managerial attitude toward the works council measured by a formal leadership style, and the attitude of the works council toward the manager measured by a three-fold works council typology (passive, monitoring or proactive). In a nutshell, the findings show that in the private sector a very formal leadership style adversely affects management's opinion about the effectiveness of a works council, while in their view a works council is most effective when taking a passive stance only. This is different in the public sector, where a proactive works council is seen as a positive contributor to personnel's acceptance of managerial decision-making outcomes, with a formal leadership style having no effect.

The second data set concerns the OSA Labour Demand Panel, involving polls (both interviews and questionnaires) among managers in all industrial sectors as of 1991, which

have been repeated every second year. The question regarding works council presence was only included in the waves of 1993, 1999 and 2001. Contrary to the other Dutch data set described above, the OSA panel does contain enterprises with and without works councils. Unfortunately, though, questions dealing with group attitudes and dynamics are missing. So far, only Sapulete et al. (2011) have utilised this data set, taking the 1999 and 2001 waves (with 858 and 789 usable observations, respectively) whilst distinguishing firms below and above 50 employees in the private sector. They aim to explain the effect of works council presence on productivity. The key findings are that works councils in 1999 have a very strong positive impact on productivity in the complete sample and the 50-plus subsample, while this result holds for all subsamples in 2001. In a second step, this exercise is repeated after adding the additional condition of a reorganisation, with and without forced layoffs. Remarkably, during a reorganisation, only the presence of voluntary installed works councils (in the two 50-min subsamples) has a significant impact on productivity. Both in 1999 and 2001, these works councils contribute negatively to productivity if the reorganisation is associated with forced lay-offs; in 2001, productivity benefits from these works councils if the reorganisation is without forced lay-offs. The presence of an employee representation body is assumed to create understanding amongst personnel in hard times, thereby smoothening the reorganisation process and, ideally, avoiding negative effects on firm performance.

After the 2001 wave, the OSA Labour Demand Panel did not include the question about works councils anymore. To the 2009 wave several questions on worker participation were added, however – not only whether or not the organisation has a works council in place, but also how worker representatives and management interact. This opens up new perspectives for future research when the data will become available by early 2012.

United Kingdom

Even though the UK has not really established any substantial form of mandatory worker representation, this does not mean that worker participation is non-existent or does not attract any attention in the UK. On top of union voice, employers have introduced all kinds of indirect (JCCs) and direct forms of worker involvement; especially direct forms are on

the rise (see Gomez et al., 2009). Next to a number of case studies on the relation between voice and firm performance, the most relevant empirical findings are based on the large scale cross-sectional Workplace Employee Relations Survey (WERS), conducted repeatedly among over 2,000 establishments as of 1980, approximately every six to eight years. We will briefly discuss the results of a selection of studies that used the waves of 1990, 1998 and 2004.

The first study of interest is by Fernie and Metcalfe (1995), who investigate the relation between different forms of worker involvement and workplace performance on the basis of 700-1,000 usable observations from WERS3 (1990). They distinguish between economic outcomes (productivity, and change in employment) and industrial relations outcomes (working climate, and quit rates). While controlling for contingent pay, which affects firm performance (notably productivity) positively, the effects of HRM-related (direct) employee involvement (EI) schemes, union representation and JCCs are estimated. Overall, the impact of EI schemes is positive, of union recognition negative, and of JCCs neutral or slightly positive. In firms where problem-solving groups are established as a means of two-way communication, this especially affects the working climate, quit rate and, to a somewhat lesser extent, productivity positively. Moreover, on the one hand, recognised unions reveal a rather strong negative association with all performance indicators; on the other hand, JCCs show a slightly positive relation with productivity and working climate. Strikingly, a more detailed analysis in which three ideal-types of worker governance regimes (high direct employee involvement, high union involvement, and no employee involvement) are compared, gives mixed results. The regime with high EI is associated with the highest scores on productivity, the collective bargaining regime leads to the lowest quit rates, and the authoritarian regime scores best on employment growth and working climate.

Another study based on the WERS3 is performed by Addison et al. (2000), who apply a different model specification, but again find that employee involvement, both through JCCs and even more so through direct participation, enhances productivity and employment growth, mainly in non-unionised enterprises. They attribute these results to, for instance, the absence of distributive bargaining by trade unions. However, as direct EI

appears to coincide with upward pressure on wages as well, overall profitability is not affected positively.

The study of Addison and Belfield (2001) is based on the 1998 WERS4, replicating Fernie and Metcalfe (1995). Surprisingly, this replication finds almost only different outcomes for all models. So, most prior favourable associations between EI (both direct and indirect) and productivity, employment growth, working climate and quit rate have turned insignificant, or even negative in the case of JCCs. Only the variable that measures 'efforts to boost EI' still has a significantly positive effect on productivity change. Moreover, the negative association between recognised unions and productivity change in WERS3 has become positive in WERS4; and while for 1998 significant effects of EI on absenteeism are found, this was not the case for 1990. Addison and Belfield (2001) offer two possible explanations for these large differences. On the one hand, there is some evidence that the nature of the workplace relations has been changing in the 1990s, which suggests that "the relationships that once held no longer do so" (Addison and Belfield 2001: 358). On the other hand, the constraints of cross-sectional data and the use of possibly the wrong constructs may imply that the established relationships are in fact spurious.

The WERS4 is also used by Bryson (2004) to examine the relationship between the different voice regimes in the UK and managerial responsiveness – that is, the extent to which management is receptive to worker involvement. To this purpose, he uses questions from the employer survey and from the employee survey. Bryson (2004) distinguishes between the basic regimes 'no voice', 'direct voice' and two forms of indirect voice, namely 'union voice' and 'non-union representative voice'. As these regimes also occur in combinations, eight different regimes are included in the analyses, in total. Overall, direct voice is more effective in generating managerial responsiveness than indirect voice regimes, while the regime in which both direct voice and non-union representative voice (JCCs) are present outperforms all other regime types. This particular regime is associated with significantly better perceptions of information sharing and consultation, as well as with fair treatment by the management.

In 2004, the fifth and hitherto latest wave of the WERS became public. One study emanating from this and worth discussing is Bryson et al.'s (2006), elaborating on the effects of managerial responsiveness. Influenced by Freeman and Medoff (1984), Bryson et

al. point to the importance of managerial susceptibility to worker involvement, as this is assumed to increase motivation and hence productivity. Based on a subsample of both managers and employees of 866 private sector companies, they first of all again establish a significantly positive connection between direct voice and managerial responsiveness, while union voice gives a negative relation. Moreover, non-union representative voice is not significant. The study does not include a test of the effect of direct voice combined with non-union representative voice. Secondly, they look for determinants of (perceived) labour productivity compared to the industry average. The regression results clearly reveal that managerial responsiveness is significantly positive in all model specifications, but none of the voice regimes add any explanatory power. When the sample is split into unionised versus non-unionised firms, “the positive association between managerial responsiveness and labour productivity is confined to the non-union sector” (Bryson et al., 2006: 452). So, their analysis does not indicate any moderating or mediating effect of the different voice regimes – which might be attributed to the high diversity in voice regimes and/or to the waning influence of unions in the UK –, but their study does offer further evidence for the importance of managerial attitudes toward worker involvement for productivity growth.

During the spring of 2011, new large-scale questionnaires have been distributed among British workplaces, which will result in the publication of the sixth WERS wave within the foreseeable future. It will be very interesting indeed to analyse this sixth wave of data, as this offers the opportunity to examine whether or not the introduction of the Directive has had any effect on the importance of representative voice (notably via JCCs or other forms of I&C bodies) on organisational outcomes. In effect, this offers a potentially powerful ‘field experiment’, in which British enterprises were ‘treated’ with a dose of employee representation, albeit a rather small one, admittedly, due to the UK’s minimalist implementation of the Directive.

Belgium

We are not aware of any econometric study for Belgium that specifically tests for the relationship between worker involvement (notably in the form of works councils or union delegates), on the one hand, and any indicator of firm performance, on the other hand.

However, a few quantitative Belgian studies do touch upon the topic indirectly. These will be briefly discussed below.

The study that comes closest to the type of empirical work we are interested in is Sels et al.'s (2006). In this particular study, there is one constructed HRM variable ('HRM intensity') that is composed of a set of measures of several HRM tools, among which is a cluster of three participation measures: trade union representation, direct participation, and financial participation. The argument is that when workers are allowed to have a say in any way, in companies that are legally not obliged to do so (due to their small size), this must have been introduced by management on purpose so as to motivate workers, which in turn will enhance productivity directly and, through a lower voluntary quit rate, also indirectly. Higher productivity, in turn, will have positive effects on profitability, solvency and liquidity. The data refer to a survey held among firms with 10 to 100 employees in all sectors of the Belgian economy, of which 416 observations could be used in the analyses. The empirical findings show, firstly, that there is only a direct effect of HRM intensity on productivity. Secondly, the introduction of more HRM tools also raises personnel costs, with the consequence that no positive effects on solvency and liquidity are found. However, the evidence suggests a direct positive effect of HRM intensity on profitability. Since the aspect of worker voice is only a relatively small part in the constructed HRM variable (3 out of the 18 components), we cannot draw too strong conclusions regarding the impact of worker involvement on firm performance from this study, though.

A second noteworthy study is De Weerdt et al. (2005), which analyses a survey held among 3,000 members of the Christian labour union ACV in private sector small and medium-sized enterprises. Their report contains a short chapter on the effects of worker voice on workplace conflict and job satisfaction. Their findings are that in smaller companies the trade union is often absent. This absence is most of the time not compensated for by other forms of indirect or direct worker involvement, however. In companies where the union is present, the extent of information and consultation is much higher, and worker voice is significantly greater. One in four respondents is dissatisfied with the possibilities to have a say; within this group, the blue-collar workers are in the majority. But if there are possibilities to have a say in any way, this has a strong subduing effect on workplace conflict and a significant positive effect on job satisfaction.

A third study worth referring to is Theunissen and Ramioul (2005). They conducted a large survey of 'social dialogue' and HRM practices in Flanders in 2002. Although most of their models take the presence of a works council or health and safety committee or trade union delegation as the dependent variable, this is reversed in a few model specifications. In these, they predominantly find a strong significantly positive effect of union presence on HRM instruments such as job posting (promoting vacancies for the internal labour market) or the use of fixed (objective) evaluation criteria. However, after additionally including the presence of a works council or a committee, the effect of these latter bodies turns negative. Theunissen and Ramioul (2005: 56) ascribe these findings to the possibility that a strong trade union delegation enforces management to introduce worker-friendly HRM policies, but the simultaneous presence of a joint body of employees and managers could partly serve as a counterforce.

Not much other relevant Belgian econometric work has been published in this field until today. However, two potentially interesting surveys have been conducted by the large employment agency Randstad Belgium in 2003 and 2007, respectively, which might allow for relevant future quantitative research on the topic of our interest. Economy-wide, workers have been questioned about the possibilities of all kinds of worker voice (both direct and indirect participation), and how satisfied they are with their job and their employer. Both polls comprise of almost 3,000 observations and could be used to study the question as to what degree a variety of participation practices is associated with higher worker satisfaction. Finally, a new survey was administered in Belgium in mid-2011 among a large number of 40-plus private sector companies, specifically directed at worker participation (both presence and functioning) in relation to different performance indicators. Both CEOs and worker representatives were addressed, with a response of about 175 (CEO) and 275 (worker) useable questionnaires. This will enable researchers to open the black box of Belgian social dialogue in a quantitative way.

Conclusion

In this review study, we have compared the representative participation systems of Germany, the United Kingdom, the Netherlands and Belgium. Ultimately, we are interested

in the effects of (indirect) worker involvement on a range of firm performance indicators, aiming to explain the divergent outcomes between firms across different countries – and hence different institutional regimes. As a first step, we presented an overview of the existing country-specific regulations and practices of representative employee participation. This provided information about employees' prerogatives and about the relations between employers and employee representatives, on the one hand, and between the various employee representatives, on the other hand. Next, we summarised the economics-based theoretical literature to learn about the theoretical connection between those prerogatives and firm performance, and how this can be affected by the mutual (lack of) understanding between the parties involved. In this context, we argued that the nature of the relation and whether employee representatives fulfil a deliberative or bargaining role might impact the final outcome. Finally, we gave a brief overview of empirical findings with respect to our four countries to establish to what degree the theoretical arguments have been tested and confirmed (or rejected, for that matter).

The combined insights of these subsequent steps generate the building blocks for an adjusted model of employee representation and firm performance that we believe would successfully capture the effects of (indirect) worker involvement on a range of firm performance indicators. In by far the majority of prior studies, the basic model only includes the *presence* of any form of representative participation as the central independent variable, whilst controlling for industry and firm-specific characteristics. Based on theoretical arguments, this line of work simply assumes that this dummy has a direct impact on firm performance, as reflected in Arrow (1) in Figure 1 below. Many empirical studies, notably those on Germany data, do indeed find some evidence for such a relationship, albeit against the background of (very) mixed results overall. In three of the four countries examined here, mandatory works councils are codified by law (although, in practice, the coverage is far from 100 per cent, especially in the smaller establishments), but their presence is not unequivocally associated with successful outcomes in terms of organisational performance measures.

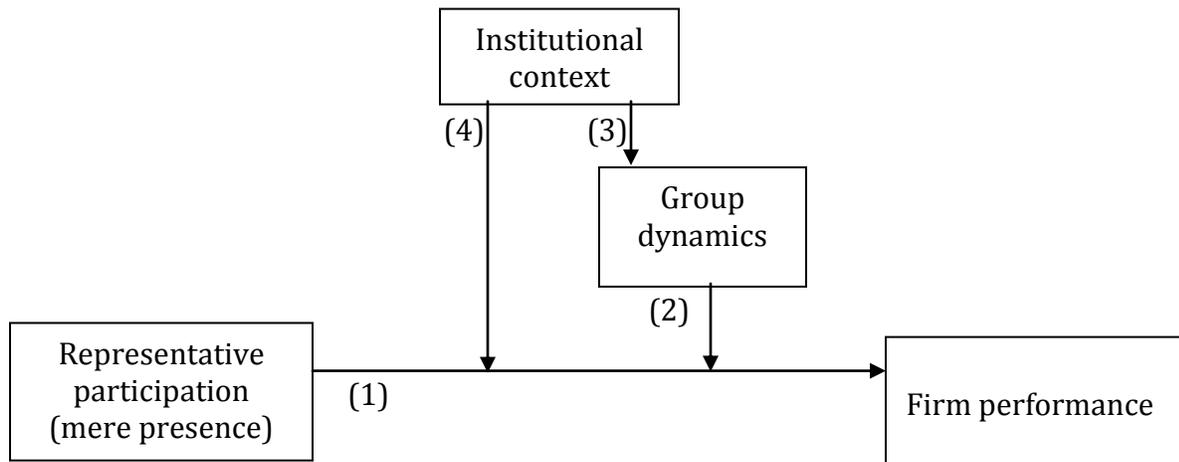
Therefore, we need to take into account not just the mere incidence of worker representation bodies when aiming to explain firm performance, but the *group dynamics* associated with these bodies as well. The few studies that were able to employ a works

council typology all demonstrate that differences in works council types are associated with a variety of positive and negative effects. In so doing, these studies address aspects of attitudes and interactions: Is the relation between worker representatives and employer delegates built on trust (with a willingness to deliberate and cooperate) or on conflict (with a focus on negotiating and defending group interests)? Do they treat each other more or less as equals or do they stress power distance? This type of aspects surely affects the firm-level outcomes of employee participation, as is expressed by Arrow (2) in Figure 1. This line of reasoning is inspired by insights from social-psychological and organisational behaviour studies that investigate the impact of group dynamics within bodies such as top management teams and boards of directors on firm performance (see, for instance, Hambrick and Mason, 1984; Forbes and Milliken, 1999; Boone et al., 2004; Ilgen et al., 2005).

In turn, these differences as to group dynamics do not only originate from social-psychological factors, but are also strongly influenced by differences in *institutions*, both formal and informal. This is captured by Arrow (3) in Figure 1. For instance, whether or not a consultative employee representation body consists of only workers or of a mix of worker representatives and employer delegates could well affect the effectiveness and impact of such representation. Additionally, the effects emanating from a purely deliberative role versus a bargaining role should be taken into account, whilst also addressing the possible consequences of the blurring boundaries between dual- and single-channel systems. And, at least equally important, the extent to which the representative body has been given formal information, advisory and co-decision rights can either induce parties to cooperate more or to take a hard line instead.

Finally, differences in institutions can be, and often are, country-specific. This implies that they are at least partly responsible for divergent outcomes when comparing the employee representation – firm performance across countries. This is mirrored in Arrow (4) in Figure 1. Indeed, this has been suggested by the results of ETUI studies, as reported in Table 2 for our set of four countries, showing that EU states scoring high on the European Participation Index (implying that, in those institutional settings, workers have been given extended participation rights) perform better in macroeconomic terms.

Figure 1: Theoretical framework



Of course, we only have associations here, and not causalities. In future work, the reverse causal relationship can also be explored, examining whether firm performance has an effect on worker participation (both group dynamics and presence) as well, or whether we have reciprocal causalities here. This line of ‘reversed’ research has been performed less often, but is relevant all the same.

Having insight into the ingredients of this adjusted model is but a first condition for econometric cross-country comparative research into the employee representation – organisational performance nexus. The second, equally important, condition is having access to appropriate data. The many single-country studies reviewed above often recognise the key weakness of the traditional design, implying lack of information on attitudes, dynamics and interactions within and across the parties involved, as well as ignoring cross-country institutional differences. Adding proxies for these subtle aspects usually can only alleviate this weakness partially, at best. For sure, this is a key challenge when designing a multi-country questionnaire study. However, given the state of the art in the literature, this is the logical next step toward deepening our understanding of the important issue of the impact of employee representation on organisational performance outcomes.

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