Explaining Cross-National Variation in Workplace Employee Representation

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Abstract

Debates on the desirability of workplace employee representation are rarely evidence-based. We use a workplace survey covering 27 EU countries to show that its incidence is strongly and independently correlated with the degree of centralization in a country's industrial relations regime and the extent of legislative support. Industry profits are important in explaining trade union presence, but are unimportant in the case of works councils. We find support for the exit-voice model, traditionally associated with Anglophone regimes, whereby worker representation is associated with poorer perceptions of the employment relations climate and with lower voluntary quit rates.

Keywords: trade unions; works councils; workplace employee representation; social dialogue; European Union

Introduction

In many EU countries, effective dialogue between employers and workers is an important complement to legislation in achieving the twin goals of social cohesion and economic growth. From an economic perspective, employee representation can facilitate information exchange and negotiation (Freeman and Lazear, 1995; Hirschmann, 1970; Simon, 1951). From a social perspective, it provides workers with opportunities to influence the terms of their engagement. 'Social dialogue' is thus a 'component of democratic government and also of economic and social modernisation' (European Commission, 2002: 6). However, policy-makers in some countries argue that employers and employees should jointly arrive at forms of workplace regulation that are efficient; which may or may not involve institutionalized representation.

Although there have been recent investigations of the structures and outcomes of social dialogue at sectoral and national level within Europe (Avdagic, 2010; Keller and Weber, 2011; Pochet, 2005), there is little empirical research into the prevalence, determinants and outcomes of employee representation at workplace level. We use the European Company Survey (ECS) 2009 to investigate these issues across the EU27 and the candidate countries.

First, we document extensive variation in the prevalence of trade union representation and works council-type representation. Second, we confirm the results of existing single-country studies (Addison et al., 2010; Bryson et al., 2004), that workplace employee representation is more likely in larger workplaces

and organizations and in the public sector. We also show that union representation is more likely in industry sectors where there are profits to share. We thus establish that many of the existing 'stylized facts' demonstrated in studies of Britain, France and Germany apply more broadly within Europe as a whole.

Third, we identify the role of national institutional factors in encouraging or discouraging the establishment of workplace-based structures for employee representation. Country-level factors matter a great deal: country dummies account for roughly one-fifth of all the variance in workplace representation. This is strongly and independently correlated with the degree of centralization in the industrial relations regime, the extent of public confidence in trade unions and the extent of legislative support for workplace representatives.

Fourth, we examine the incidence and correlates of different *types* of worker representation, focusing on the potential complementarity between unions and other forms of representation in countries where both are possible, such as the UK (Hall et al., 2009) and Germany (Addison et al., 2010).

Fifth, we consider the association between the *presence* of workplace employee representation and the *character* of employment relations. We find evidence in support of the exit-voice model traditionally associated with Anglophone regimes, whereby worker representation is associated with poorer perceptions of the employment relations climate and with lower voluntary quit rates. However, these findings are only statistically significant where representation takes a dual-channel form, combining both trade union and works council representation.

In the next section we briefly outline the key factors in the decision by a firm or its workers to develop arrangements for employee representation. This provides the broad framework for the following section in which we outline our hypotheses in more detail. We next discuss data and methods before presenting the results and concluding.

The origins and form of employee representation

Without legislative constraints, the decision by a firm or its workers to develop arrangements for worker representation is a choice made having appraised the costs and benefits of the decision. Among the potential benefits is increased labour productivity. First, worker representation can efficiently aggregate workers' tacit knowledge about production processes and communicate this to the employer to assist with productivity enhancements. In turn, employee quit rates may fall if employee representation gives effective voice to employees' concerns (Freeman and Medoff, 1984), allowing employers to recoup the costs associated with long-term investments in their human capital such as training. Dialogue with employee representatives may also involve costs, although typically lower than the costs incurred through attempts to discuss matters with each employee individually. In the case of union representation, employers may also need to factor in the potential costs of bargaining over wages and problems associated with industrial action. Engaging with employee representatives will typically reduce communication costs more for a large firm than a small one. The benefits of any decrease in employee quits will be greater where firms are heavily reliant on scarce types of labour. One of the difficulties employers face is that the net benefits are not clear-cut in each individual case.

An economic cost/benefit framework can also be applied to the choices employees make in deciding on collective representation. Costs might include the opprobrium of an employer intent on avoiding social dialogue, and the time and effort needed to devote to the process of communication with the employer through representatives. The incentives will be higher where there are clear private returns from the process of social dialogue, such as a wage premium. However, a problem may arise where the benefits of representation are public goods: benefits that accrue to all workers, irrespective of their personal investments in social dialogue. This creates an incentive for employees to 'free-ride' on the efforts of others. If all make this decision, social dialogue may not emerge because for each individual the costs outweigh the benefits. This incentive problem can provide the rationale for state intervention which

precludes the possibility of workers 'free-riding' on the benefits of others. One possible solution is the closed shop (Olson, 1965).

If a firm decides to encourage employee representation, it still has a choice as to which type to use. An employer may choose to invest in its own mechanism by implementing a structure of its own design, such as an employer-initiated consultation committee. Alternatively, it may choose to 'buy' in a mechanism for the conduct of social dialogue, such as a trade union, which may act as an agent for the employer in the production of social dialogue. These are not mutually exclusive choices, since employers may seek to combine different channels of representation. The choice as to which form(s) to deploy also comes with costs and benefits. The 'make' decision comes with up-front costs since the onus is on the employer to put mechanisms in place which can help deliver 'voice'. The 'buy' decision entails costs of a different kind, including those of dealing with an independent third party, and the potential risk which arises from the fact that the union is operating not simply as an agent for the employer, but also as a voluntary membership organization committed to delivering benefits for its members.

Governments can alter this cost/benefit calculation. They may do so directly, for example by requiring every firm to engage in discussions with employee representatives if it is of a certain size or if it is considering redundancies. They may also do so indirectly, for example by reserving preferential contractor status for those firms with representative structures in place. Employees can also alter the cost/benefit calculation made by firms. The most obvious example might be employee collective action to cut off the supply of labour to the employer --- what Freeman and Medoff (1984) termed the 'monopoly face' of trade unionism.

Empirical approach and hypotheses

The foregoing discussion shows that the presence or absence of workplace representation can be determined by a wide range of factors, some internal to the workplace and others relating to the product market or the broader institutional context in which the firm is located. Our analysis of the ECS 2009 investigates the incidence of both trade union representation and works council-type bodies. We consider influences at three different levels: macro, by which we mean country-level characteristics such as legal support for institutions of employee representation; meso, by which we mean sector-level characteristics such as product market competition; and micro, by which we mean the characteristics of the workplace or its employees. Our principal focus will be on the macro- and meso-level correlates of worker representation.

Macro-level country effects

Visser (2009a) has identified five different industrial relations regimes within the EU: North (organized corporatism); Centre-West (social partnership); South (polarized or state-centered systems); West (liberal pluralism); and Centre-East (fragmented/state-centered systems). Although countries with strong social-democratic traditions may be more predisposed to worker representation, there is a separate issue whether this is situated at workplace-level. Any workplace 'representation gap' can be overcome to some degree when forms of representation are well-established at higher levels, as in countries with sectoral and national pay bargaining. However, in other areas, such as assistance with individual grievances, this is unlikely to be an adequate substitute. In the German case, it is often argued that works councils and sectoral pay bargaining complement one another (Addison, 2009).

The likelihood of workplace employee representation also reflects national legislative provisions. Economists, sociologists (Freeman and Rogers, 1999) and industrial relations academics (Towers, 1997) have argued that employees in Anglo-American settings face a 'representation gap' which arises from the

high ratio of costs to benefits in the generation of social dialogue at workplace level. Countries with legislation supportive of workplace-level representation lower the costs to firms and workers.

The 2002 EU Directive on the Information and Consultation of Employees (ICE) offers a European framework, but implementation varies across Europe. In Austria and Germany, businesses with as few as five employees are covered; in Poland and the UK the regulations only apply to businesses with 50 or more employees. We might therefore expect country effects to persist even having controlled for the composition of workplaces and workforces. Countries also differ in the extent to which they have sought to prescribe the tasks of different representative structures and, in particular, the extent to which the ICE regulations reinforced existing representative arrangements or sought to establish new alternatives (Aumayr et al., 2011a; Fulton, 2010; van Gyes, 2006).

Meso-level effects

There is a degree of homogeneity within sectors across Europe in industrial relations arrangements (Bechter et al., 2010), which suggests an influence from the nature of production, and so we expect some variance in the extent of worker representation across sectors. Greater product market competition increases the benefits to employers of avoiding forms of joint regulation which may raise costs (especially wage costs) and also decreases the benefits to employees of establishing or maintaining bargaining mechanisms (Brown, 2008). This suggests that unions are more likely to be present when markets are less competitive (works councils may not exhibit any association as they are not primarily engaged in pay bargaining). On the other hand, financial distress can increase the demand among employees for representation as a means of protecting existing terms and conditions (Jirjarhn, 2009; Machin and Wadwhani,1991). This would suggest a positive association between competition and the presence of both unions and works councils.

The degree of sectoral bargaining may also have an effect on the prevalence of workplace representation structures, although the nature of the association is not clear-cut. Strong sectoral bargaining may reduce the incentives for employers and employees to invest in workplace-level structures; but the incentives may be raised if discussion is needed within individual firms over the detailed application of a sector-level agreement.

The nature of the product or service may also be relevant. Dundon and Gollan (2007) argue that dialogue between managers and employees will be more beneficial (in efficiency terms) when there is a high degree of customer contact for staff (as in most service industries) since employees' private knowledge of customers' needs will be important in identifying quality improvements.

Data and methods

We test the various hypotheses outlined above using data from the 2009 ECS, carried out across the (then) 27 EU Member States and the candidate countries of Croatia, the Former Yugoslav Republic of Macedonia (FYROM) and Turkey. The survey was managed by the European Foundation for the Improvement of Living and Working Conditions (Eurofound) and administered by TNS Infratest Sozialforschung.

The survey was conducted in two stages: first, a telephone interview with a management representative, who was asked about the structures of employee representation that were present in the workplace; second, a telephone interview with an employee representative in those workplaces where an institutionalized or statutorily-based form of employee representation was identified as present, although these data are not used in this article. The universe for the survey comprised all workplaces with 10 or more employees from both the private and public sectors, covering all sectors of industrial activity, with the exception of Agriculture (NACE Rev 1.1 Section A), Fishing (Section B), Activities of households (Section P) and Extra-territorial organizations (Section Q). The sample was selected by variable probability

sampling, over-representing large workplaces and those in smaller industries and countries; sampling weights are provided with the survey data to correct for these deliberate sample biases. The management interview yielded an achieved sample of 27,160 workplaces: an average of around 900 workplaces per country. Further details about the content and methodology of ECS 2009 are provided by Riedmann et al. (2010) and in the methodological report which accompanies the version of the survey data deposited with the Economic and Social Data Service (Eurofound and TNS Infratest Sozialforschung, 2010).

The management interview identified the presence of various forms of workplace employee representation. The focus of the analysis which follows is on institutional or statutorily-recognized forms of worker representation, by which we mean trade union (TU) and works-council type (WC) representation. Inevitably there is some degree of subjective judgment required in classifying countries according to the existence of various types of bodies. A Data Appendix indicating the form of words used to identify eligible bodies is available from the authors.

Other questions identified the presence of health and safety representatives, company-level representatives and ad hoc forms of representation, although questions about the latter two were only asked in workplaces with no TU/WC representation.

The survey interviews also provide a range of other indicators which we include in our regressions as controls. These include workplace size, company structure, ownership, workforce composition and work organization. These are described in more detail in footnotes to our results tables.

To test our hypotheses regarding the importance of country and industry-level factors, we match on a range of external data items:

- Industrial relations regime. Source: Visser (2009a).
- Model of workplace employee representation: whether both unions and works council-type representation can co-exist at the workplace and, if so, whether their roles are separated to any extent under the law. Source: Fulton (2010).
- Dominant level of bargaining: national, sectoral or company. Source: variable LEVEL in the ICTWSS database (Visser, 2009b).
- Size threshold for triggering works council-type representation. Source: Fulton (2010).
- Legislative support for trade unions. Source: Fulton (2010).
- Public confidence in trade unions. Source: authors' calculations from 2008 European Values Survey.

Each indicator is available for the EU27; the value held by a country on each of the indicators is shown in the Data Appendix.

In order better to understand any observed differences between industry sectors we also match on an external indicator of profitability which is compiled at industry level within each country:

- Profitability: The price-cost margin, computed within each country at one-digit NACE sector level and computed as (Gross output – intermediate inputs – labour costs)/Gross output. Source: authors' calculations from 2006 data in the EUKLEMS database (Timmer at al., 2009).

The analysis uses logistic regression methods to identify the independent association between worker representation and our variables of interest. We present the marginal effects which show the change in the probability of the outcome that arises, after controlling for other factors, when one moves from the reference category on the relevant characteristic to the specified category. Marginal effects are computed after holding all other variables in the regression at their mean value. A marginal effect of 0.05 can thus be translated as an increase of 5 percentage points in the probability of the outcome.

We use the establishment weights (EST_WEI) which have been provided with the public-use dataset to account for the use of variable probability sampling during the sample selection process. A robust variance estimator is used to adjust estimated standard errors to account for any resultant design effects.

When we replace the country identifiers with country-level characteristics we must account for the fact that, unless these can explain all the between-country variance, there will remain some within-country

correlation in the residuals. This will bias the standard errors from any regression analysis downwards (Moulton, 1990). We account for this by explicitly acknowledging the clustered nature of the data in variance estimation.

The ECS 2009 data are cross-sectional in nature, offering a snapshot of practice in each workplace at one specific point in time. It is not possible to identify causal effects with such data. However, concerns about endogeneity bias are necessarily more pertinent when considering the influence of workplace characteristics than when considering the influence of sectoral or country-level characteristics.

Results: Incidence of worker representation

The incidence of union and works council representation at workplace level is shown in

Figure 1Figure 1. There is considerable variation across countries in the percentage of workplaces with at least one of these forms of employee representation: above 55 per cent in Denmark, Sweden and Finland but below 20 per cent in five countries, most notably Portugal and Greece where fewer than 5 per cent of workplaces have either TU or WC representation. The average for all workplaces is 34 per cent. Similarly, there is considerable variation across countries in the percentage of workplaces with TU or WC representation. Some countries have only one form: TU representation is the only form observed in ECS 2009 in Sweden, Cyprus, FYROM, Turkey and Malta; conversely WC-type representation is the only form observed in Spain, Luxembourg, Germany and Austria.[i] Among the remaining 21 countries some, such as the Netherlands and Cyprus, are dominated by instances in which only one of the two types of representation is present whilst in others, such as Denmark and Italy, instances where both are present predominate.

[Figure 1 about here]

The regression analysis examines the characteristics associated with the presence of some form of workplace employee representation (irrespective of whether it is TU or WC); it then moves on specifically to consider the two types separately. The analysis begins by specifying a regression model in which the dependent variable is a binary variable of whether TU/WC representation is present at the workplace. We do not comment in detail on the results, as our principal interest is in the determinants of representation at meso and macro-level, but the coefficients on the workplace-level characteristics confirm the patterns seen in existing studies in countries such as Britain (Bryson et al., 2004) and Germany (Addison et al., 2010). We find, for example, that workplace employee representation is more likely in larger workplaces and organizations, in the public sector, and in workplaces which have recently undergone organizational change.

Whilst the rank order of countries remains stable after controlling for workplace-level covariates, the differences between countries typically reduce in magnitude, indicating that at least some part of the between-country variation shown by

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[i] In Spain, this was due to a mistake in the survey, which should have provided the option for workplace managers also to record the presence of trade unions (Aumayr et al., 2011a).

Figure 1Figure 1 is a function of heterogeneity across countries in workplace characteristics. The reductions are relatively small, however, and substantial differences between countries remain. These are shown by the asterisks in

Figure 1Figure 1. The probability that a workplace in Denmark has some TU/WC representation remains 54 percentage points higher than that for a workplace in Greece, for example, even after controlling for the characteristics which are included in this baseline specification.

In seeking to explain the cross-country variance in the incidence of worker representation we explore the relevance of industrial relations regime, the degree of centralization of wage bargaining and the extent of legislative support for workplace representation. In doing so we restrict the analysis sample to the 27 EU Member States, since few of the external data items are available for the three other countries.

First we group each of the EU Member States into the five regimes proposed by Visser (2009a). We enter the classification in place of the country dummies to the regression discussed above to see what difference IR regimes make to the incidence of workplace representation (see Model 1 in Table 1). Taking countries belonging to the West regime as the reference category, and controlling for all other factors in the baseline specification, the probability that a workplace has TU/WC representation is 6 percentage points higher (on average) among countries belonging to the Centre-West grouping, 11 percentage points higher among those belonging to the Centre-East grouping, 20 points higher among those in the South grouping and 35 points higher in those belonging to the North grouping. However, there is considerable variation *within* at least four of the five regimes and, indeed, the fit of the model (Pseudo-R^2 of 0.197) is lower than that of an otherwise equivalent model containing country dummies (Pseudo-R^2 of 0.245). Understandably, regime membership provides only a partial insight into cross-country differences in the probability of workplace representation.

[Table 1 about here]

Next we turn to the role played by country-specific aspects of the industrial relations regime. Model 2 replaces the regime categorization with one identifying the dominant bargaining level in the country. The categories to which each individual country has been assigned are shown in the Data Appendix. Taking countries where company-level bargaining is dominant as the reference, and controlling for other factors, the probability that a workplace has TU/WC representation is 10 percentage points higher (on average) among countries where bargaining is typically conducted at national level, 20 points higher where bargaining is typically conducted at sectoral level and 9 points higher where the dominant approach is to combine sectoral bargaining with company-level bargaining (although the latter difference is not statistically significant from zero).

The other models in Table 1 indicate that workplace representation is more prevalent in countries where: the model of workplace representation favours unions (model 3); there is legislative support for union presence and the employee threshold for triggering WC-type representation is lower (model 4); and public confidence in trade unions is higher (model 5).

These institutional characteristics are inter-related. However, Iit is not practical to enter all of the full classifications simultaneously because of the limited variation that is available in a sample comprising only 27 countries. However a parsimonious specification which reduces each classification to a dummy variable finds that the dominant level of bargaining, legal support for trade unions and public confidence in trade unions each remain associated to a statistically significant extent with the prevalence of workplace representation (see Model 6 in Table Table 1). This would appear to suggest that the institutional approach to trade unions may be particularly important in determining the overall incidence of workplace representation within a country. However, we make this conclusion only tentatively because of the difficulties, noted above, of identifying the independent effects of a number of country-level characteristics when there are effectively only 27 observations.[2] What is clear, however, is that certain features of the institutional setting --- legislative support, public norms and the centralization of bargaining --- are important in determining whether representation is available at the workplace.

The fit of this final model is slightly higher than that of the model which classifies countries according to regime, suggesting that these descriptive variables are somewhat more informative than the five-way regime classification. They also have the advantage of identifying some of the specific

components of the institutional setting which appear to be relevant in determining patterns of workplace representation. Countries towards the top of that ranking (those with large marginal effects under the model reported for Figure 1) are typically those which score on four or five of the country descriptors just discussed, whereas countries lower down the ranking are typically those which score on only one or two of these descriptors. There is a clear positive correlation between the two series. Again this indicates that we have identified some of the key institutional determinants of workplace representation in Europe.

The role of competition

The theoretical framework outlined earlier proposes that the presence of workplace employee representation may be negatively related to the degree of competition in product markets. We investigate this issue by matching on a sectoral indicator of profitability (the price-cost margin) from the EUKLEMS database. This indicator is added to a model run on the sub-sample of 25 countries where it is available, with the analysis conducted solely among private sector workplaces.

A linear term is not significantly associated with the generalized indicator of the presence of workplace representation (Table 2, first row). However, when the variable is divided into quartiles, it does appear that the relationship may be non-linear; specifically, the presence of workplace representation is higher for workplaces in sectors that are outside the bottom quartile of the 325 country*sector combinations that are common to EUKLEMS and ECS (the coefficients on the second, third and fourth quartiles are jointly significant from zero).

Nevertheless, the hypotheses set out in the theoretical framework were concerned primarily with the bargaining activities of trade unions. If we run separate regressions for TU and WC representation after dropping countries with single-channel representation, sectoral profitability is found to be positively associated with the presence of trade unions and unrelated to the presence of works council-type representation (Table 2 models 3 and 5). The same pattern of results is obtained if we run a seemingly-unrelated bivariate probit estimator, which can account for the positive correlation between the presence of TU and WC representation (and any resulting correlation between the residuals from the two models) and adjust the regression coefficients accordingly. Equally, the results remain unchanged after adding a control for own workplace performance (the manager's subjective rating of the economic situation of the workplace, rated on a five-point scale). The general pattern of results is thus in line with our hypotheses.

[Table 2 about here]

Workplace representation and behavioural outcomes

The process of social dialogue can bring issues to the surface which may otherwise remain hidden, heightening either party's awareness of the other's shortcomings, politicizing employees so that they become more critical of employment relations than they might otherwise have been. When describing the exit-voice model, Freeman and Medoff (1984) also note that worker representation may result in 'voice-induced complaining', in part to strengthen workers' bargaining hand in negotiations with the employer. The overall 'climate' of employment relations may thus suffer in the presence of effective social dialogue.

Nevertheless, theory also predicts a negative relationship between voice and exit. This is the core of the exit-voice model, initially elaborated by Hirschman (1970) in relation to consumer behaviour, but subsequently applied to employment relations by Freeman and Medoff (1984). Under the model, employees facing problems at work are more likely to quit, but this probability falls where they have access to worker representation which can help 'fix' the problem. Specifically, by providing voice for workers, structures of social dialogue encourage employees to tackle the problems they face at work, rather than leaving in the face of dissatisfaction. This provides the employee with opportunities for more stable

employment. It is also beneficial for the employer for three reasons. First, a reduction in turnover generates savings on recruitment and training costs; second, it reduces disruption in work teams; and third, it increases the likelihood that an employer will reap the return from efforts to up-skill the workforce (Becker, 1964: 48-49; Booth and Zoega, 1999: 374-5; Chillemi and Gui, 1997). Moreover, by providing employees with an effective voice, structures for social dialogue enable the employer to learn more about the operation of the workplace, thereby facilitating improvements to the production process which might otherwise have been invisible to the employer (Freeman and Medoff, 1984).

Our indicators of behavioural outcomes derive from the management interview and are as follows:

- *Climate of employment relations:* The manager is asked to rate the work climate in their establishment on a four-point scale from 'very good' to 'very strained' (MM701).[3]
- *Problems with employee motivation:* The manager is asked whether or not the establishment has problems with low motivation among its staff (MM157).
- *Problems with staff retention:* The manager is asked whether or not the establishment has difficulties in retaining staff (MM157).

The regression models employ a set of three binary outcome indicators: the first identifies workplaces in which the manager reports that the climate is 'quite strained' or 'very strained'; the second, workplaces in which the manager reports a problem with employee motivation; and the third, workplaces in which the manager reports difficulties in retaining staff. The control variables, described in the footnote to the table, are not sufficient to explain a large share of the variance in staff motivation and staff retention; these have complex determinants, only some of which are identified in ECS 2009. Nonetheless, the control variables which are available do behave broadly as one would expect in each regression. For example, workplaces in a 'very/quite good' economic situation are less likely to have each of the three negative behavioural outcomes than those which are 'neither good nor bad'; and those in a 'very/quite bad' situation are more likely to have each of these outcomes.

[Table 3 about here]

The upper panel of

Table Table 3 presents the marginal effects associated with the simple presence of any TU/WC representation, when compared with the absence of such representation. In accordance with expectations, the presence of TU/WC representation is associated with a greater likelihood that the workplace will have a strained climate. There is no association with the probability of having low staff motivation however, and the association with the probability of staff retention problems, although negative as predicted in the theoretical framework, is not statistically significant from zero (p value = 0.110).

The lower panel of

Table Table 3 presents the results of separate models in which the simple indicator of representation is replaced with a categorical indicator of the type of representation. When compared with workplaces that have no TU/WC representation, those workplaces with TU and WC representation (dual channel representation) are 3 percentage points more likely to have a strained climate. However, they are 4 percentage points less likely to report problems with staff retention.

These analyses provide some evidence to support the theoretical propositions that, whilst the overall 'climate' of employment relations may suffer in the presence of workplace social dialogue, forms of employee representation, by providing voice for workers, can encourage employees to tackle the problems they face at work, rather than quitting in the face of dissatisfaction. This provides employees and employers with opportunities for more stable employment. The evidence is somewhat tentative, given that we do not find consistent associations with all forms of representation. The direction of causality also cannot be proven with the available data. However, our findings are broadly in line with evidence which has been separately produced on the effects of trade unions in Britain using similar survey data (Bryson and Forth, 2010).

Conclusions

Using a European-wide workplace survey we have explored variance in the incidence and nature of workplace employee representation in the EU and its candidate countries. Country dummies account for roughly one-fifth of all the variance in workplace representation. Its incidence is strongly and independently correlated with the degree of centralization in industrial relations regimes, public confidence in worker representation and the extent of legislative support. We also find evidence supportive of the exit-voice model traditionally associated with Anglo-Saxon regimes, whereby worker representation is associated with poorer perceptions of the employment relations climate and with lower voluntary quit rates. However, these findings are only statistically significant where representation is dual-channel in form, combining both trade union and works council representation.

One of the most striking findings from this study is the degree to which the incidence of workplace representation varies within and across EU countries. The theory we deploy to predict the presence of workplace representation proves illuminating in the empirical analysis and helps to explain some this variance. Policy levers, such as legislative support for workplace employee representation, can be influential in guiding practice. We find a number of instances in which the institutional environment or the legislative framework are associated with the extent and nature of workplace social dialogue. However, the bulk of the variance remains unexplained.

From a policy perspective, one might legitimately ask whether the absence of worker representation is optimal. The answer depends very much on what policy objective one has in mind. If, for instance, worker representation is regarded as a public good because it extends democracy into the working environment, one may wish to mandate worker representation in EU countries to ensure that this mechanism for democracy exists. At the very least, one might wish to put in place a simple 'trigger' for worker representation which could be sprung by workers if they choose to do so, as occurs in France for example in the case of union representation. However, policy-makers might reasonably be concerned about the possible costs incurred by firms, and perhaps workers, if worker representation were to be mandated across EU countries. Worker representation can entail direct costs via information collection, provision and transmission; there could also be indirect costs associated with wage bargaining and, in some cases, through works council-type consultation and negotiation over non-wage matters. Concerns about burdening business with unknown costs might temper any enthusiasm for legislating in favour of more widespread worker representation.

Although the costs to employees of triggering employee representation are very low in a number of EU countries, such as France and Germany, these structures are still not all-pervasive in those settings (particularly in smaller workplaces). This raises a fundamental policy question: why is there this variance

when the mechanisms to trigger representation seemingly make it easy for workers to do so? Do the preferences of workers for representation differ fundamentally according to the size of workplace they work in, or do the benefits of representative structures only really become apparent to workers in larger workplaces? And to what extent does the presence of union representation beyond the workplace either temper or enhance the desire for workplace-level worker representation? These are questions which future multi-country studies, such as ECS 2009, can begin to address.

Notes

[2] The coefficients on the 'WC threshold' variable, in particular, are heavily affected by the inclusion of the variables indicating the dominant level of bargaining and the model of representation. These three variables are quite strongly correlated; hence the note of caution registered in the text.
[3] This is preferred to a measure of the incidence of industrial action, as the latter is likely to be relevant only to union representation (in many countries, works councils are prohibited from initiating industrial action).

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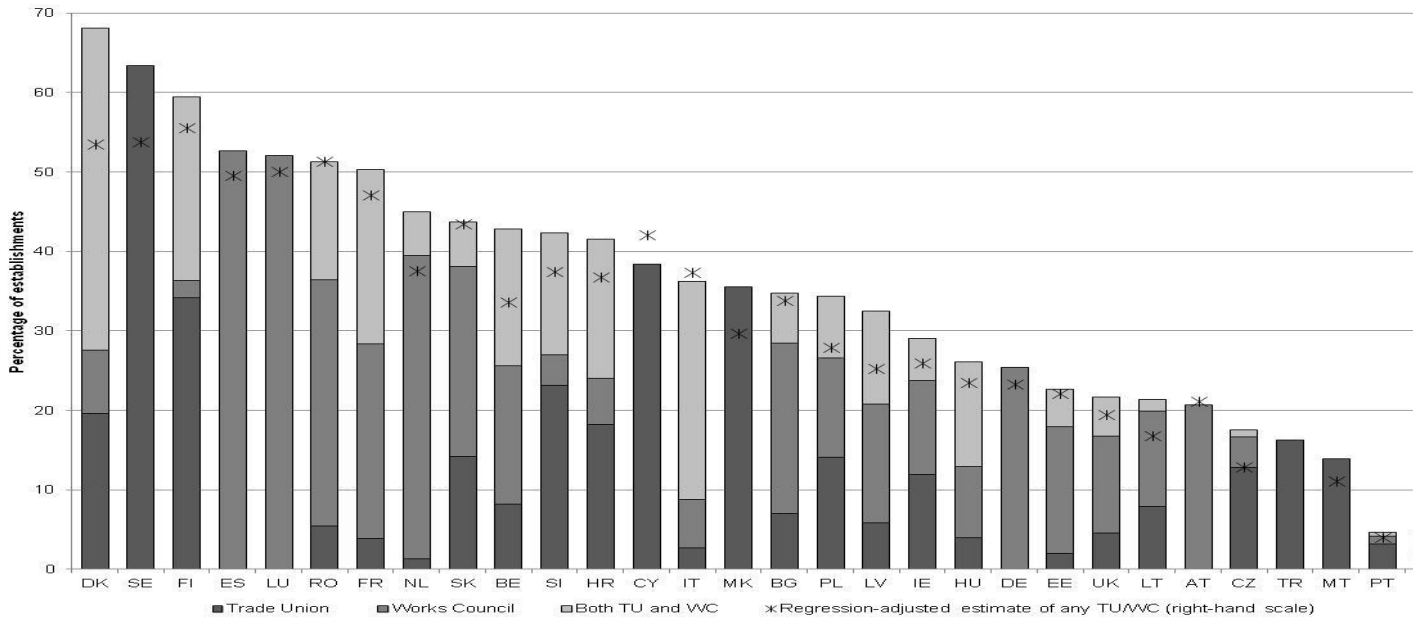
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Figure 11. Incidence and type of workplace representation

Base: all workplaces with 10+ employees

Table 1: Incidence of workplace representation: Association with country characteristics

	[1] Regime + workplace characteristics		[2] Bargaining level + workplace		[3] Model + workplace		[4] Legislation + workplace		[5] Confidence + workplace		[6] All + workplace	
	MEff	Sig.	MEff	Sig.	MEff	Sig.	MEff	Sig.	MEff	Sig.	MEff	Sig.
Regime. ref.: West												
North	0.351	**										
Centre-west	0.062	*										
South	0.200	**										
Centre-east	0.114	*										
Dominant bargaining level. Ref.: company												
Sector + company			0.089									
Sector			0.195	**								
National + sector/company			0.101	**								
Model. Ref.: roles not separated												
WC only					-0.089							
TU only					0.208	**						
TU has precedence					0.133							
Roles separated					0.033							
Legal support for TU							0.129	*				
WC threshold. Ref.: 50+							ref.					
20-49							0.145					
10-19							0.167	***				
Less than 10							0.125					
No WC representation							0.269	***				
Public confidence in TUs. Ref.: bottom quartile												
Second quartile									0.103			
Third quartile									0.133			
Top quartile									0.145	**		
Dominant bargaining level above company											0.181	**
Model: TU preferred											0.032	
Legislative support for TUs											0.167	**
WC threshold: Below 50											-0.031	
Confidence in TUs: 2nd-4th quartile											0.099	**
Pseudo-R2	0.197		0.186		0.181		0.196		0.178		0.213	

Obs	23420	23420	23420	23420	23420	23420

* p<0.10, ** p<0.05, *** p<0.01

Base: all workplaces with 10+ employees (EU27 countries only). All models contain the following workplace controls: industry (12 dummies); N employees (7 dummies); organization type (single independent workplace, HQ of a multi-establishment organization, branch of a multi-establishment organization); ownership type (public, private foreign-owned, private domestic-owned); takeover or merger in last 3 years; employment change last 3 years (stable, grew, shrank); gender composition; skill composition; employment contracts used (fixed-term, night-work).

Table 2: Incidence of TU or WC representation: the role of competition

	[1] Any TU/WC		[2] Any TU/WC		[3] Any TU		[4] Any TU		[5] Any WC		[6 Any
	Meff	Sig.	Meff	Sig.	Meff	Sig.	Meff	Sig.	Meff	Sig.	Mef
Ln(Price-cost margin)	0.020				0.034	***			-0.001		
Price-cost margin. Ref.: 0-8%											
9-15%			0.027				0.013				-0.00
16-24%			0.056	***			0.053	***			0.00
25%+			0.036				0.032				-0.00
Pseudo-R^2	0.248		0.248		0.409		0.401		0.341		0.33
Obs	17266		17382		12120		12234		12120		1223

All models employ our baseline specification, controlling for workplace characteristics + country

* $p<0.10$, ** $p<0.05$, *** $p<0.01$

Base: all private sector workplaces with 10+ employees (excluding countries where EUKLEMS data on industry price-cost margin not available).

Table 3: Association between presence of TU/WC representation and behavioural outcomes

	[1] Strained climate		[2] Low motivation		[3] Retention problems	
	MEff	Sig.	MEff	Sig.	MEff	Sig.
Any TU/WC representation	0.048	***	0.004		-0.013	
Pseudo-R^2	0.177		0.094		0.068	
Obs	23727		23335		23712	
TU/WC representation. Ref.: None						
TU only	0.018		0.010		-0.002	
WC only	0.011		0.012		-0.020	
TU and WC	0.031	**	0.020		-0.038	***
Pseudo-R^2	0.180		0.066		0.075	
Obs	16278		15952		16244	

* $p<0.10$, ** $p<0.05$, *** $p<0.01$

Base: all workplaces with 10+ employees. Models control for the workplace characteristics in the footnote to Table 1 plus the following controls: health and safety representation; team-working (3 dummies); percent of workers paid for performance (3 dummies); training needs reviewed; off-the-job training given; percentage of workers with flexible hours (3 dummies); HR innovation in last 3 years; economic situation (3 dummies).