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Do Germany's Global Players Liberalise?  
The European Works Councils of Volkswagen and  
Daimler – A Case-Study

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## Abstract

Liberalisation in general is something many scholars assume to happen. Since it usually occurs in a gradual way, it often goes unnoticed. One aspect in which liberalisation might occur is codetermination. Especially in Germany codetermination plays an important role, since German employees enjoy extensive participation rights in corporate decision-making processes, enshrined by law.

Since 1996 multinational companies, operating in at least two states of the European Union have to form European Works Councils. The way European Works Councils are supposed to be structured is to a large extent left to the discretion of the companies. This is why European Works Councils may serve as a good ground for investigation whether companies liberalised their codetermination practices.

The cases of the German companies Volkswagen and Daimler serve as an example whether the two companies liberalised in terms of codetermination. The investigation is based on the assumption that European Works Councils are shaped by the home country (i.e. country of the headquarter). It is found out that the European Works Councils of both companies show differences to the set-up and functioning of German work councils, which indicates that Volkswagen and Daimler indeed liberalised their codetermination practices in the European arena.

Liberalisation will be measured by looking at two different models, namely the Coordinated Market Economy and the Liberal Market Economy. If the European Works Council of the two companies in investigation differ greatly from what is expected a works council would look like in a Coordinated Market Economy, it can be concluded that the company's codetermination practices liberalised.

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## Abbreviations

CME	-	Coordinated Market Economy
CME-EWC	-	ideal type of a European Works Council in a CME
EU	-	European Union
EWC	-	European Works Council
LME	-	Liberal Market Economy
LME-EWC	-	ideal type of a European Works Council in a LME
UK	-	United Kingdom
VW	-	Volkswagen
WEC	-	World Economic Committee (Daimler)

# 1. Introduction

Liberalisation is a process that is resounding throughout the world. It is said that states, policies and even the thinking of people is liberalising. There are many different definitions of liberalisation. Within this thesis liberalisation is defined as “*an inevitable economic adjustment in organised political economies to growing internal and external market pressures*” (Streeck and Thelen, 2005:4). One approach of explaining and describing liberalisation is the ‘varieties of capitalism’ approach by Hall and Soskice (2001). These two scholars argued that there are two ideal types of market economies, on the one hand the Liberal Market Economy (LME) and, on the other hand, the Coordinated Market Economy (CME), which are different in several features. It is often said that the latter is doomed to liberalise, due to changing and more interconnected international markets, which bring about increased competition. According to this theory, Germany, which often functions as the role model of Coordinated Market Economies, should be liberalising too, in order to adapt to this new competitive environment.

Codetermination, the joint decision-making between employees and employers in companies, is an important aspect of CMEs. It is said that codetermination is under attack by the liberalising forces in the market, such as increased competition, since it often slows down or even blocks unwanted decisions. In Germany codetermination is enshrined by law, which is why many argue that Germany is reform-resistant and thus not well equipped to deal with these new market pressures. Despite strong opposition towards codetermination by many scholars, the European Union introduced a codetermination system at the plant level of multinational companies in form of European Works Councils (EWCs) in 1994. However, the way EWCs are to be set up is largely left open for the companies to decide upon. It is therefore a good test of *expectus* on liberalisation.

## 1.1 Research Questions

This thesis will be about liberalisation of Germany and its global players, *i.e.* its multinational companies, in terms of the aspect codetermination. EWCs will be used as the ground for investigation in order to answer the overall research question “*Do Germany’s Global Players Liberalise?*”. This question rests on the assumption that European Works Councils are shaped by their home country. Distinctions between the domestic works councils and the EWCs should therefore reflect a general move by the company towards more liberalisation. From a different perspective EWCs are less pre-defined by law and thus leave more opportunities for companies to shape them to their advantage. To investigate this assumption two sub-questions have been defined, namely “*To what extent do the EWCs of companies differ to the set-up of the company’s domestic works councils?*”, since the answer to this question would indicate whether there are indeed changes in the practice of codetermination by German companies. The second sub-question is “*Can the set-up of the EWC of companies be ascribed to one of the two ideal types of EWCs?*”. To answer the second sub-question features of EWCs will be ascribed to either CMEs or LMEs. These features include, amongst others, agenda-setting, decision-making, relationships between members and between the EWC and the management. Prior to this, ideal EWC types will be defined according to the ideal market economies.

If the findings suggest that EWCs differ in many aspects from their counterparts in the company’s home country, and have many features of liberal EWCs, I can conclude that the companies in investigation try to erode codetermination in their home country. In this case this will be Germany. If the argumentation holds true then, on the one hand, codetermination is under attack, and on the other hand, Germany will eventually liberalise its codetermination system, since large companies can often influence governmental decisions.

## 1.2 Cases

In this thesis, the EWCs of Volkswagen and Daimler will be investigated for several reasons. First of all, both companies share several characteristics, which make it easier to compare them. Both companies are car manufacturers, so they act within the same market, *i.e.* the market for person cars and transporters. This fact means that changes within the automobile market should be felt by both companies. Both have subsidiaries worldwide and are thus not only constrained by the German market. Their headquarters are in Germany. Especially the unit homogeneity of the two cases should avoid third variables intervening in the research, *i.e.* that no other variable influences the set-up and functioning of the EWCs.

## 1.3 Thesis Outline

Chapter 2 provides the necessary background on liberalisation in general and in Germany. Furthermore, the two ideal types of market economies are described. It largely rests on the work of Hall and Soskice (2001), who defined the two ideal types; Streeck and Thelen (2005), and Peck and Theodore (2007), who provide a good overview of the discussion. The part about liberalisation in Germany rests mainly on the work of Menz (2006) and Hassel and Williamson (2004).

The third chapter introduces the concept of codetermination, as one feature of CMEs, and explains how codetermination in Germany evolved, including how German works councils are set up. Especially, the work of Jackson (2005) and Donnelly et al (2000) is reflected in these parts. Later in this chapter EWCs will be described with the help of the work of, amongst others, Weiler (2004), Müller and Platzler (2003), Dyson and Padgett (2006), and Carley and Hall (2006).

Chapter 4 continues with the discussion of the cases, namely Volkswagen and Daimler and their EWCs. Firstly, a short historical overview of both companies will be given, which leads to the description of the EWCs of the particular company. The work of Müller et al (2004), Weiler (2004), Patriarka and Wetz (2008) is used here.

The analysis is to be found in Chapter 5, where the research questions are answered. It shows how the EWCs of Volkswagen and Daimler differ to the German works councils and which features they share with LMEs. In Chapter 5 a description of the two ideal-EWC types is given according to the author's discretion. Chapter 6 concludes this thesis and gives an outlook on further research on this topic.

## 2. Liberalisation

The process of liberalisation began in the 1990s when political and economic crises caused market economies to ease market regulations, foster processes of privatisation and self-reliance and promote the “*logic of free competitive markets*” (Streeck and Thelen, 2005:4; Müller et al, 2004). Liberalisation is thereby understood as a process of deregulation, or in the words of Streeck and Thelen (2005) it is “*an inevitable economic adjustment in organised political economies to growing internal and external market pressures*” (p. 4). In Europe liberalisation can, for example, be felt by the removal of trade barriers within the European Union. This ongoing process is called European integration (Menz, 2003). Liberalisation can also be linked to globalisation, which Müller et al (2004) describe as a process of expansion and aggregation of societal interaction and interdependencies that goes across borders. Liberalisation is a process that is occurring in a gradual but continuous manner, as it often involves little, often hardly recognizable steps towards liberal practices. According to Streeck and Thelen (2005) liberalisation occurs gradually and can happen in various manners, *i.e.* displacement (the emergence of new structures which are diffusing with old ones), layering (the attachment of new structures or layers to already existing ones), drift (re-focusing of old structures), conversion (the revaluation of old institutions to new purposes), and exhaustion (the gradual erosion of old structures) (Streeck and Thelen, 2005:19ff).

Palan (2003) describes the result of liberalisation as a “*new political economy*” (p.165), which uses existing structures but also invents new ones to tackle market pressures. These market pressures lead companies to relocate production facilities in order to produce at the lowest cost possible (Palan, 2003). Liberalisation thereby creates new actors and linkages that transcend borders (Berger et al, 2001). New and old actors are faced with advantages and disadvantages of liberalisation. On the opportunity side, companies have the possibility to easier invest and sell products in foreign markets and thus increase their markets, since the flow of goods, services, people and capital is facilitated. On the challenge side, more competitors are selling the same product thus forcing the companies to adopt their strategies and policies in a way which sometimes may contradict their historically grown self-understanding and traditions.

As can be seen, the effects of liberalisation are manifold. They include increasing cost competitiveness, the relocation of production facilities, and the reduction of public control. All these aspects lead states to introduce liberalisation policies that on the one hand try to accommodate the need for flexible regulations and on the other try to re-establish the competitive advantage of the market economy (Peck and Theodore, 2006). Liberalisation policies also deprive states of the ability to control the economy (Palan, 2003).

Since the behaviour of a company is shaped by laws and conditions of the home country (Donnelly et al, 2000), they need to adapt to the increasing liberalisation (Witt, 2004), by adopting new standards and practices (Chizema, 2010). National governments can no longer protect domestic companies from increased market pressures, so that companies need to change their strategies in order to survive in the global market. This means that they need to increase their competitiveness, which is usually done by increasing their productivity. (Reinecke, 2004) Traditionally, increasing labour productivity can, amongst others, either be done by improving vocational training or by reducing the labour force. But as a result of globalisation companies also start or increase their efforts on foreign markets, thereby relocating production facilities, and building up new networks with foreign subsidiaries and / or suppliers, thereby circumventing laws and regulation in their home-country.

## 2.1 Market Economies

Market economies are “*systems in which companies and individuals invest, not only in machines and material technologies, but in competencies based on relations with other that entail coordination problems*” (Hall and Soskice, 2001:21f). Jackson and Deeg (2008) characterise market economies by “*distinct institutional configurations*” which are a “*source of comparative institutional advantage*” and being “*stabilized by institutional path dependence*” (p.680). These characterisations imply that every state has a distinct form of market economy which developed over time. Actors in market economies, for example, invest in specific competencies, such as the building of mutual trust in order to gain a comparative advantage. This advantage shall help to solve coordination problems with actors within and outside of the market economy, which will be described soon.

Hall and Soskice identified two ideal types of market economies, namely the Liberal Market Economy (LME) and the Coordinated Market Economy (CME). Ideal types are prototypes of certain things, in this case ‘market economies’. They entail characteristics a perfect thing should have. In reality, things do not have all characteristics to form an ideal type. There are many economies that have characteristics of both ideals but are more often more similar to one of the two ideal-types.

LMEs are defined by market-driven relationships in which the shareholder value is of priority, whereas in CMEs companies and other actors make use of institutions to regulate the market. Thereby stakeholder value is of more importance than shareholder value. Stakeholder value is the benefit or gain people involved in the entity have, whereas shareholder value is the gain (usually financially) people get when holding a share of the entity<sup>1</sup>. For further distinctions of LMEs and CMEs please refer to Section 2.1.1 and Section 2.1.2<sup>2</sup>.

Moreover, Hall and Soskice defined five institutional clusters along which the two ideal market economies can be compared. The five clusters are: industrial relations, vocational training and education, corporate governance, inter-firm relations, and the potential of employees. Later these spheres will be used to explain the characteristics of CMEs and LMEs. These spheres also impose coordination problems for the market economies, which are: How to coordinate the bargaining over working conditions and wages with employee representatives? How to teach the workforce skills necessary for the job / company? How to access finance? How to secure a stable demand for the company’s products, supplies of inputs and access to technology? How to ensure employees have the necessary competencies in order to advance the objectives of the company? (Hall and Soskice, 2001:7f). CMEs and LMEs tackle these coordination problems in different ways. Whereas in LMEs actors coordinate themselves with other actors through competitive markets, actors in CMEs coordinate themselves with other actors by strategic actions (Hall and Gingerich, 2004).

Not everyone agrees with Hall and Soskice and their classification of market economies. Streeck and Thelen claim that the CME will eventually erode. Critique comes from Blyth (2003) and Goodin (2003) who doubt that CMEs will ever converge into LMEs. Especially Goodin (2003) questions whether market economies that own features of both ideal types will ever be capable of surviving international competition. Blyth (2003) and Goodin (2003) also claim, together with other scholars such as Kang (2006), that the two ideal-types are too ‘ideal’, which means there has only been a very short time span (1960s/1970s) during which national market economies looked as homogeneous as the two models of Hall and Soskice.

However, to give a detailed overview of the discussion about varieties of capitalism would go beyond the scope of this thesis. For the purpose of this thesis it is enough to describe the ideal

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<sup>1</sup> Stakeholders are the ones holding a ‘stake’ at the company, e.g. employees, suppliers etc.

Shareholders are the ones holding a ‘share’ of the company, i.e. owing part of it.

<sup>2</sup> For an overview of the differences between CMEs and LMEs in form of a table please refer to Hall and Soskice (2001) and Peck and Theodore (2006)

types. In the following, I will look whether actors within a particular CME adopted features of LMEs, since I assume that CMEs are liberalising, though in a slow and gradual way.

### 2.1.1 Liberal Market Economies

An ideal-LME is one extreme on a liberalisation scale (see Picture 1 on page 29). Ideal types of LMEs are defined by flexible markets, deregulations, privatisation (Perraton and Clift, 2004) and “*impersonal, arm-length relations*” (Peck and Theodore, 2006:745). The values of LMEs are individualism (Peck and Theodore, 2006) and pragmatism (Altmeyer, 2005), which underlines the “*arm-length relations*”. All other characteristics of LMEs can be better understood when keeping these values in mind. The state encourages individualism by, for example, keeping welfare spending to a minimum (Perraton and Clift, 2004). In all areas of life each and everyone are responsible for him- / herself. Relationships between people, companies, and the state are shaped by the market, which is also the mechanism to coordinate actors’ relationships. Due to this market dominance actors can react flexibly and quickly to market changes (Altmeyer, 2005). The goal of actors in LMEs is to maximise the shareholder value and its profitability (Odenius, 2008).

Education and vocational training is provided without any involvement of companies. Workers are therefore not well equipped with the skills necessary to compete with other workers on the market, since their training is rather theoretical and less focused on the needs of companies. (Peck and Theodore, 2006) Thereby portable skills are stressed in LMEs, since they can be transferred to any other place as well. It is the individual who has to care for his- / herself. Companies will only hire the best, while not investing in training for employees. This ensures companies that costs are kept to a minimum, while picking out the bests for themselves.

As has been mentioned, relations between actors are market-driven; they respond to the influences of the market in a fast and fluid way. This also means that actors do not control what is happening on the market but have to adapt quickly to new situations. Shareholders will sell their shares when companies lose their money and orient themselves to higher risk / higher gain capital markets, as they provide for more chances to make more money. Thereby shareholders can influence managers. Here one can also see the individualistic nature of LMEs, since every actor would move to the position that is most advantageous for them, without considering the possible negative effects on other actors. Considerations are only made on short-term basis, which in joint stock corporations often is a period of three months. (Peck and Theodore, 2006) In LMEs property rights of shareholders also play an important part. Ireland (2000) states that the assets shareholders own gives them certain ownership rights, which they can use to influence the management in order to gain as much private benefit as possible (Ireland, 2000:7;19).

Individualism also means that inter-firm relations are competitive in nature. Companies are suspicious that other companies could steal their ideas, so that any regulation of inter-firm activities is uncommon. So it comes that there is hardly any framework for the diffusion of technology. (Peck and Theodore, 2006; Hall and Soskice, 2001)

The characteristic that LMEs are built on market-driven relationships, in which the maximisation of shareholder values is of utmost importance, has been proved by a survey among corporate managers, amongst others, in the USA and Germany. In the USA, which is often characterised as a LME, 76% of the questioned managers find that the company belongs to shareholders and not to stakeholders and that dividends are much more important (89%) than job security. (Odenius, 2008:3) The results for Germany will be shown in the next section about Coordinated Market Economies.

Industrial relations within LMEs are typified by hierarchical relationships within firms and competitive markets and relations between companies and workers (Hall and Soskice, 2001; Peck and Theodore, 2006). This means that decisions are made at the top and handed down to the bottom. Thereby workers try to move one step up the ladder and outrival other competitors.

LMEs are built on a hiring and firing system in which workers can be hired the one day and fired the next one. This system makes it impossible for employees to build up a trustworthy relationship with, or to be committed to the company. Employers have unilateral control over the company and the employees. (Hall and Soskice, 2001; Peck and Theodore, 2006) Wages are non-collectively made on an individual basis. They reflect the individual productivity of the worker and market forces (Peck and Theodore, 2006). For example, this means that workers will be paid less when on sick leave or when the market is turning down.

In particular, this hiring and firing system in LMEs is the reason why systems of employee representation are rare. If they exist, they do not come in form of works councils but in form of trade union committees, which need prior approval by the employer in order to set themselves up. The two parties, *i.e.* the employer and the trade union representatives of the company, normally meet only to negotiate over house wage tariffs. Moreover, employee representatives have to do their representative work in their spare time which means that it is voluntary, unpaid work. Moreover, employee representatives in LMEs have hardly any say; even in the negotiations over house wage tariffs the employer can simply overrule them. It is only due to the Directive on the Establishment of European Works Councils that employee representatives in LME type countries belonging to the EU have an information and consultation right on certain, specified issues, since works councils are uncommon. (Altmeyer, 2005) This raises the question what happens if LMEs are forced to install an institution which is more common for CMEs. There are actually two possibilities. Firstly, LMEs move towards CMEs or secondly, LMEs form EWCs, but keep the participation rights of employees to a very minimum. Therefore, only the participation rights with the least involvement of employees may be installed in LMEs. The right of codetermination is not to be found in LMEs at all.

### **2.1.2 Coordinated Market Economies**

The Coordinated Market Economy is the other extreme on the liberalisation scale (see Picture 1 on page 29). It has many names, such as Rhine-model, since many market economies close to CMEs are located around the river Rhine, or the German model, since for many scholars Germany serves as the market economy closest to the ideal type of CMEs. In contrast to LMEs, CMEs are built on trust, consensus and collectivism. It is important to note that Streeck and Thelen changed their point of view on these three characteristics in later publications, since they found them unsuitable to describe CMEs. Usually, CMEs have a well-established social redistribution system which follows the theory that everyone is equal. Commitments within as well as among actors are made to hold for long. Decisions are usually made between employers and employee representatives, which is why the process of decision-making usually takes long, but the outcome is said to be more reliable. (Peck and Theodore, 2006; Hall and Soskice, 2001; Streeck, 1995)

Inter-firm relations are based on consensus, which is why competition is mitigated within domestic markets by the state. In contrast to the domestic market, the export market is open to free competition. The consensus culture of CMEs also fosters the construction of core competencies of each company and secure cooperative outcomes, which fosters high quality technological products. (Hall and Soskice, 2001; Peck and Theodore, 2006)

In contrast to LMEs, actors in CMEs are reluctant to invest in high risk / high gain ventures and technologies, since decisions on investments and other things are based on long-term considerations. (Peck and Theodore, 2006; Hall and Soskice, 2001) Banks and companies built long-term links to foster mutual obligation and trust (Streeck and Thelen, 2005). In general the role of shareholders value is less important in CMEs than in LMEs. What is more important here is the role of stakeholders, with whom stable arrangements are built, in order to guarantee consensus within the industry (Peck and Theodore, 2006). Banks are thereby important players since bank financing is giving managers more freedom from shareholder pressure. The logic behind this is that employees and other stakeholders are less prone to go on strike and the productivity of each employee is said to be higher.

Industrial relations in CMEs are characterised by the coordination of wages across industries. Wages are thereby negotiated between employers and employee representatives or respectively trade unions. In contrast to LMEs wages are not determined on an individual basis but on seniority, qualifications and negotiated pay scales. (Peck and Theodore, 2006:734) Innovation within CMEs is happening incrementally but usually leads to the development of high quality of high technological products. (Hall and Soskice, 2001; Dyson and Padgett, 2006) This means that there are no problems of poaching of non-portability.

The long-term view of CMEs can also be seen in the sphere of vocational training and education. Companies in CMEs work closely together with business associations and educational facilities. Thereby education and vocational training means a long-term commitment of the educating institution and the industry towards the (potential) employee. Under this long-term investment in training and education lies the logic that continuous improvements can only be achieved if information is shared and everyone works together, while trying to avoid the problem of free-riders. (Peck and Theodore, 2006; Hall and Soskice, 2001)

A survey among corporate managers, amongst others, in Germany and the USA (see Section 2.1.1) found out that 83% of the questioned managers indeed find that stakeholders own the company, and that job security (59%) is more important than dividends. In contrast to what has been said by managers in the USA, it becomes clear that the mentality of actors within CMEs is totally different to the ones in LMEs. (Odenius, 2008:3)

In CMEs employers tend to have a close relationship with their workers and suppliers to guarantee quality control and the often mentioned consensus and social peace. Managers do not have the capacity to act unilaterally but need support of the stakeholders, which is why the group interest always has priority to the interest of the individual. (Hall and Soskice, 2001) In comparison to the relationship between employers and employees in LMEs, in CMEs there is an atmosphere of trust, equality and mutual obligation, whereas in LMEs relationships are coined by competition and hierarchy.

Employee representation in CMEs usually comes in form of works councils, which are established within the company and in which employee representatives are elected by the workforce. Usually employee representatives represented in the works council are temporarily released from what they have been employed for in order to perform their duties. However, the company continues paying their salary. Employee representatives and the employer meet in various instances to discuss certain issues. Furthermore, the employer is often obliged to report on the company's performance. In CMEs employee representatives in works councils enjoy expansive participation rights. In some specified issues they even enjoy codetermination rights and can block decisions which are contrary to the interests of the workforce. (Altmeyer, 2005) In comparison to the participation of employees in decision-making processes in LMEs, employees in CMEs enjoy expansive rights.

## 2.2 Liberalisation in Germany

Germany is the typical example of a CME, which has been explained in the previous section. It is often considered being the market economy closest to the ideal type of CMEs, due to various aspects. First of all German companies are well connected in networks such as employers associations or other industry associations. These networks provide the basis for the sharing of information and the setting of standards. Labour markets are less fluid than the ones in LMEs, which means that workers are given the opportunity to commit to the company in the long-run, because companies see, for example, training of employees as an investment in the future of the company. Another aspect which enhances the commitment of employees to the company is Germany's codetermination system (Hall and Gingerich, 2004), which will be dealt with in the next chapter. Trampusch (2005) claims that Germany were reform resistant. According to this argument Germany would not be well-suited to liberalise since this implies reforms to better cope with changing market conditions (see Streeck and Thelen, 2005).

The traditional model of German corporate governance relies on the following aspects: the "*absence of state intervention into wage-setting, sectoral-level wage bargaining*" (Menz, 2006:549), the "*dominant role of banks at corporate financing in supervisory boards, and the codetermination system*" (Jürgens et al, 2000:5). However, low growth rates, the rising public deficit and the high level of unemployed people (Hassel and Williamson, 2004), as well as the transformation of international capital markets and intensified competition in product-markets (Chizema, 2010) call for changes.

Due to these pressures the German economy began to change slowly in the 1990s. German managers started to adopt approaches that are more oriented towards the international arena (Hassel and Williamson, 2010), since German companies seemed to lose their competitive advantage on the technological sector, in which they had a leading role before (Streeck and Trampusch, 2005). This happened because pricy high quality products could no longer compete with cheaper products with comparable quality from abroad. The long-needed changes especially occurred in areas in which the German economy had the strongest problems, *i.e.* treatment of the unemployed, since the number of unemployed kept on rising; collective bargaining and trade unions, since employee codetermination led to wages well above the European average; and company behaviour, since companies began to lose their competitiveness. (Hassel and Williamson, 2004) Companies thus changed their focus on increasing revenues and expanding their market share. Profitability, one of the leading focuses of LMEs, was not that important, yet. (Deeg, 2005) Furthermore, companies tried to circumvent certain labour restrictions, for example, by increasing the number of temporarily employed, since they are usually paid less and do not fall under the codetermination system, or by "not installing" codetermination institutions (e.g. in smaller companies).

Chancellor Schröder recognised the just mentioned problems, as well as competition problems which occurred due to the increasing internationalisation of the German economy. Schröder therefore called for action: "*Either we modernise or we will be modernised by the unremitting forces of the market*" (in Hassel and Williamson, 2004:1). The resulting action was the introduction of the highly disputed labour market reforms called Hartz (1-4) and the included "Agenda 2010". In general terms, Agenda 2010 sought to deregulate and therefore liberalise the labour market by decreasing the welfare spending, and partially privatise health insurance (Menz, 2006). Menz (2006) even went so far to say that the implementation of Agenda 2010 is a "*dramatic illustration of choosing US-style workfare policy (...)*" (p.90). Here it can be seen that despite resistance in the population (and also in the opposition and coalition), Germany implemented reforms and chose a more flexible, liberal approach in its labour market policies, which is an indication for a LME-style approach in the German market economy.

Of course, there were more changes in the German economy that indicated a move towards more liberalisation and thus the LME model, such as the development of a code of corporate governance or that some companies are listed on the US stock exchange, but to enumerate all changes would go beyond the scope of this thesis.

Overall, these changes indicate a convergence of Germany towards the LME style of capitalism (Chizema, 2010; Menz, 2006), and are thus in contrast to the claims Germany were reform consistent (Trampusch, 2005), or that states close to the ideal type of CMEs could not (partly) converge towards the LME style (Blyth and Goodin, 2003). Despite the claim by Hassel and Williamson (2004) that Germany will never fully converge into a liberal market economy, because the German system of codetermination would block any change towards fewer rights of employees, market pressures, such as increased competition and the need for fast changes, also made the most powerful works councils and supervisory boards to accept more liberal firm policies in order to secure the company's survival. Liberalisation in Germany seems to occur by displacement and exhaustion. It occurs by displacement, since foreign practices are adopted ("*US-style practices*", such as the cutting of welfare state spending) which is a deviation to the expected behaviour of German socialism. The adoption of "*US-style practices*" also indicates exhaustion, due to the cuts in welfare state spending. This means that the generous spending on, for example, unemployed, limited the growth of Germany and thus can not continue as before (see Streeck and Thelen, 2005:31). Still, Germany adopted and is still adopting features of liberalisation, while German firms are creating an "*Anglo-American management culture*" (Reinecke, 2004:30), which is most likely to be felt in areas of financing. Although it is unlikely that Germany will ever converge fully into a LME, amongst others, due to codetermination and the "unwillingness" of Germans for reforms, there is a tendency towards increasing liberalisation. However, this will happen in a slow and subtle way.

### 3. Codetermination

Codetermination is an institution that shapes the participation of employees in corporate decisions. It can be described as a shared decision-making between employers and employee representatives. It is furthermore a typical aspect of CMEs. Necessary requisites are thereby the extensive sharing of information, continuity and the mutual trust into one another. Only with these requisites the stakeholders of a company are prepared to tackle new and unfamiliar challenges which might occur. Thereby codetermination improves the competitiveness of the companies. (Jackson, 2005; Hall and Soskice, 2001; Roberts et al, 1979)

Codetermination comes in many forms. It can be at the board level, *i.e.* employee representatives are also represented at the supervisory board, or at the plant level in form of works councils. Codetermination at the board level will not be subject of this thesis, since the discussion of both forms of codetermination would go beyond the scope of this thesis.

Works councils are institutions in which employees of a company are represented. According to Roberts et al (1979) and Jackson (2005) works councils are means to encourage employees to invest in company specific skills, thereby ensuring that employers and employees communicate in a peaceful and constructive manner so that decisions can be made which are in the best interest for the company and all its stakeholders. This means that works councils can resort to voice rather than exit. Since the set-up of works councils as well as their rights and duties are different in each country, this thesis will only focus on German works councils and EWCs, which will be described below.

Furthermore, in this thesis codetermination will not merely be defined as the shared decision-making in company's decision, but also as other forms of employee involvement in decision-making processes of the company, *i.e.* information, consultation and codetermination rights. The right with the smallest possibility to influence decision-making is the right for *information*. This right implies a duty of the employer to inform employee representative about certain things in time. The exact definition about which things and what "in time" means is usually defined within the statute of the works council. The right on *consultation* refers to the duty of employers to ask employee representatives about their opinion on certain things. However, employers do not really need to take the opinion of employee representatives into account. Usually the law only requires them to hear the opinion of employee representatives without further action. The third right is called *codetermination* right, which means that employee representatives actually can decide together with the management on certain issues.

#### 3.1 Codetermination in Germany

Germany is well-known for its system of codetermination. The roots for this go back to the 19<sup>th</sup> century, when codetermination was first introduced. Back then as well as today codetermination serves as a means to avoid strikes and is thus an alternative to revolution (Donnelly et al, 2000:21). For a more detailed description why and how codetermination in Germany evolved please refer to Donnelly et al (2000).

Jackson (2005:237) defined four different areas or waves of codetermination in Germany. The first area he called "*Imperial Germany*", in which codetermination was a means of the employer to paternalise the employees. Employee representation as well as the organisation and working of trade unions were rather weak. As has already been said codetermination was merely seen as a means to avoid strikes and any other forms of social riots.

The second area of codetermination was the one of the Weimar Republic, when Germany became a democracy. This period was coined by social upheavals. The management of companies tried to get rid of any form of codetermination rights, since they feared increasing

influence of employees in companies and resulting unwanted decisions challenging the competitiveness of companies. Jackson defined the type of codetermination at this area as “*contested authority*” (2005:237).

The third period of codetermination started right after the Second World War. During the regime of Hitler laws allowing employees to codetermine companies’ behaviour were forbidden. This facilitated many managers of companies to support the regime of Hitler, either financially or by producing military equipment. In order to prevent managers to ever unilaterally support regimes in such a way, the Allies reintroduced codetermination with the famous Works Constitution Act of 1952, which gave employees the right to be represented at the supervisory board (Roberts et al, 1979), *i.e.* codetermination at the board level. While the German state rebuilt a democracy, managers increasingly recognised employee representation in companies. All in all codetermination within this period was characterised by a social partnership between the management and employees. (Jackson, 2005)

The fourth and current period began in the 1990s, when new environmental challenges, such as the increasing number of unemployed and the threat by companies to relocate production facilities, threatened the German system of codetermination (Jackson, 2005). Other environmental challenges include the weakening of traditional bank monitoring, heightened pressure to make fast decisions, pressure to keep costs at a minimum, the need for fast innovation, high rate of unemployed, and strong changes in corporate control (Jackson, 2005; Hans-Böckler Stiftung and Bertelsmann Stiftung, 1998). Especially changes in corporate control required the system of German codetermination to change as well. In 2001 a new law about works councils was passed to tackle these environmental challenges. Changes in the codetermination system included the flexibilisation of structures and the improved representation of women (Anglo-German Foundation, 2005).

### **3.1.1 The German Works Council**

The set-up for works councils in Germany is laid down by law. The set-up criteria are the following: A company need to consist of at least five permanently employed people who are eligible for vote. German works councils are composed of workers only. The exact number of employee representative is related to the size of the entire workforce of a company, same as the number of employee representative released from work to fulfil their duty as employee representative. Candidates for work council membership are put forward by trade unions and by other workers of the company, though the latter method requires signatures by at least 1/20<sup>th</sup> of the workforce. Members of the works councils are elected for four years by the workforce of the company and elect a chairman and a vice-chairman among themselves. This needs to be done one week after the election of the works council. (euro-workscouncil.net, 2005:69; Bundesverfassungsgesetz, 1972: §7-14)

Employers only participate in meetings of the works council when invited by it. The frequency of meetings depends on the work council itself. Meetings can also be requested by a quarter of the members of the works council or the employer. By law it is required that the works council reports four times a year to the staff at a so called *Betriebsversammlung*. Once a year also the employers has to report at these meetings to inform the employees about personnel and social questions, the development of the company, economic aspects etc. There can be various works councils in one company, one for the plant level and one for the entire company. (Bundesverfassungsgesetz, 1972)

The works council can rely on the following resources that have to be made available by the employer: rooms, stationery, office staff and information and communication material. Furthermore, members of works councils enjoy the right to get training necessary for the operation of the works council. If issues discussed in the works councils need further specific

knowledge, works councils are allowed to invite experts. The payment of the costs for experts is, however, up to agreement with the company management. (Bundesverfassungsgesetz, 1972)

The role of German works councils is to develop youth programmes, promote equal opportunities such as the integration of disabled, women, older and non-German workers, promote the reconciliation of family and professional life, protect work and the environment of the company, encourage employment, ensure the compliance with laws, collective agreements and company agreements, and negotiate with the management the work organisation (euro-works council.net, 2005:70; Bundesverfassungsgesetz, 1972:29ff).

To fulfil these tasks German works councils are granted several rights. The right to information and consultation includes among others the following matters: planning of work processes, workplaces, and personnel; questions related to training of the staff; changes in the company; introduction of new working and manufacturing methods. The latter two matters only concern companies with more than 20 employees with the right to vote. The works council has the right to participate in negotiations in matters concerning: the social plan; internal rules of the company; working hours; holidays, health and safety; wage structure and bonuses related to performance; etc. In the following areas the works council has the right to codetermine including the right to veto decisions: dismissals; nomination of training officers; recruitment; grouping; and transfer. If the works council can not reach an agreement with the employer in these areas, the employer is free to bring the matter in front of a labour court. (euro-works council.net, 2005:70; Bundesverfassungsgesetz, 1972:30ff)

### 3.2 European Works Council

Liberalisation and the transnationalisation of companies have created the need to act globally, as has been described in Chapter 2. The expansion of companies, the relocation of levels of decision-making to avoid troubling employee representative systems and increased competition between plants (Müller et al, 2004) of the same company are also factors related to liberalisation. To avoid negative effects of liberalisation, such as company relocation etc. the Directive on the Establishment of European Works Councils (in the following ‘EWC Directive’) was adopted. The European Commission justified the need to allay the effects of liberalisation with the following words: *“the accelerating pace of transfrontier economic restructuring (...), involving an increase in mergers, takeovers, transfers and joint ventures, will result in more and more employees being subject to key corporate decisions taken outside the country where their establishment or undertaking is located. As a result of changes in the structure of undertakings, the procedures for consulting and disclosing information to employees are often no longer consistent with these new structures”* (European Commission, 1994 in Carley and Hall, 2006:1)

As early as the 1980s the European Commission proposed legislation to give workers the right of information and consultation. However, this and other legislation were not adopted, mainly due to resistance of the United Kingdom. With the Treaty of Maastricht and the possibility for countries to opt-out on unwanted legislation, the EU could finally adopt the EWC Directive to improve the rights of workers in transnationally working companies. In 1994 the Directive 94/45/EC was adopted. The EWC Directive was subject to some amendments, the latest being the Directive 2009/38/EC of 2009. The newest amendments include among others a definition of information, since the original EWC Directive lacked one; an improvement of the definition of consultation; clarification of the transnational competences of the EWC; and the obligation for employers to provide the members of EWCs with necessary training to fulfil their task as EWC member. (EU Directive 2009/38/EC)

Hertwig et al (2008) described three periods during which EWCs were founded in the EU. The first period started in the mid-1980s and lasted until 1994. During this pre-Directive period a few employee information and consultation organs have been established on a voluntary basis. Among the first established EWC is the company now called *Thomson Consumer Electronics*, which EWC was built upon management initiative (Dörrenbächer and Wortmann, 1994). The second period goes from 1994 to 1996, which is exactly the time span between the adoption of the Directive and the deadline for transposition in the member states legislation. During this time many EWCs were established on the basis of Article 13, which will be explained in the next paragraph. The third period started after the deadline passed in 1996 and is still lasting. This period is also called Article 6 period, since the EWCs established after 1996 are built upon Article 6. (Hertwig et al, 2008:3f)

Article 6 of the Directive lays down that a special negotiation body must be formed that “*must negotiate in the spirit of cooperation*” on the composition, functions and procedures of the EWC; the venue, frequency and duration of meetings; the financial and material resources allocated to the EWC etc. Article 13 of the Directive lays down that any negotiation body that has been implemented prior to the entry into force of the Directive, and which covers the entire workforce, can decide jointly on the renewal of its body, unless it already fulfils the requirements of the Directive. EWCs based on Article 13 are more strongly shaped by the country in which it’s headquarter is located (Weiler, 2004).

According to Keller and Platzer (2003) “*the EWC Directive has been the most prominent example of (...)negotiated social regulation defining only certain statutory minimum requirements and mostly procedures but leaves substantive issues to private regulation at subordinate, in this case company level*” (p.174). This quote shows that the decision how to structure EWCs is made at the managerial level of a company. This means that EWCs are established by a vertical authority, which is also a defining feature of LMEs. Furthermore, his quote also shows that the set-up of EWCs involves a large room of discretion. Companies can decide almost freely about the set-up and the areas in which members of the EWC enjoy participation rights, since the Directive lays down only statutory minimum requirements. This leeway of companies to shape their EWC is also one defining characteristic of the EWC Directive (Müller and Platzer, 2003). Agreements to establish EWCs thus lay down the role of the EWC; matters in which EWC employee representatives have information and consultation rights, as well as their timing; the procedures to be followed (Carley and Hall, 2006), but also the composition of the EWC, *i.e.* mainly the question whether it is an employee-only committee, or whether it is a joint employee-management committee (Weiler, 2004). The topics being discussed in the EWC meetings and thus the issues in which EWC employee representatives have information or consultation rights are the economic and financial situation of the group, the development of employment, market position, strategies, investment, work organisation, relocation or closures of companies (Weiler, 2004:39).

With the establishment of EWCs, members are enabled to respond to management strategies and to propose innovative strategies in the general interest of all involved for the future of the company (da Costa and Rehfeldt, 2008; Gallin, 2008). However, their capacity to act depends on the willingness of the management to give employee representatives in the EWC influence (Müller and Platzer, 2003). Furthermore, the areas in which EWCs are granted information and consultation rights are not specifically defined. The Amendment Directive of 2009 defines the right to consultation as the establishment of a dialogue and exchange of opinion between employee representatives and the management as early as it is possible for the EWC to give their opinion within a specified time span. The right for information is defined as the forwarding of information by the employer towards employee representatives prior to a decision is being made. The stages at which information and consultation takes place has not been defined more explicitly in the Directive and can thus vary. Carley and Hall (2006) found

four different stages of information and consultation: “*while the management is still considering its decision*”, “*after the decision itself has been taken but while the details of its implementation are still open to debate*”, “*after the decision is taken and implementation decided but not yet put in place*”, and “*after the implementation is complete*” (p.18). It can be seen that the timing is crucial for employee representatives, but also information policies are of importance. The management can either fulfil only the minimum requirements of the Directive and give only a minimum of information to employees; the management can provide the EWC with all necessary information; or the managements gives comprehensive information in order for the employee representatives to understand, accept and support the decisions being made (Weiler, 2004).

However, as has been said, the structure and functioning of EWCs and thus its type is largely constrained by the willingness of the management to give EWC employee representatives rights. But it is not only the management that could be an obstacle to the work and internal cohesion of EWCs but also other things, such as language barriers; insufficient knowledge of the members of EWC about the different cultural and political backgrounds, and power inequalities, which means that often the delegations of the headquarter has more rights than other delegations (Carley and Hall, 2006:41).

An important argument on which this thesis rests is given by Donnelly et al (2000) who state that “*in practice, EWCs are institutions worked out through company-level negotiations and thus strongly shaped by the home-country practices*” (p.39). This means that the two examples of EWCs explained later should mirror the setting of their works council in their headquarter.

In conclusion, EWCs are organs that are largely influenced by the willingness of the management of the company to give participation rights to employee representatives, but also on the way the EWC is set up. This also means that EWCs can reflect the degree in which the management is willing to give codetermination rights to their employees Europe-wide.

## 4. Case Study

In the following the cases of Volkswagen and Daimler will be discussed. The reasons for choosing these two cases are manifold. On the one hand, both companies are multinational companies with their headquarter located in Germany. I chose German companies because Germany is said to be close to the ideal type of CMEs, and because of the extensive codetermination rights employees in German companies enjoy. On the other hand, both companies are producing the same goods, namely cars, and thus operate on the same market. Furthermore, I considered the automobile industry as interesting, since car makers in the International Metalworker Foundation (IMF) were among the firsts to opt for codetermination procedures and European Works Councils (Stiftungen, 1998). The car industry is also much internationalised (Hancké, 2000).

I opted for Volkswagen and Daimler because they are comparable. They have about the same size of the workforce, namely roughly 350000 employees worldwide. This changed for Daimler after the split-up with Chrysler. However, since the latest amendment of the EWC agreement of Daimler happened during the DaimlerChrysler time, this should not influence the analysis. Both operate on the same market and both have their headquarters in Germany. Furthermore, the EWCs of both companies are built on Article 13 of the EWC agreement. By choosing two cases from the same industry which have more or less the same conditions in the market, I excluded third factors which could influence the behaviour of the company and its EWCs, because this third factor should have influenced both companies in an equal way. Another reason for choosing Volkswagen and Daimler is their cultural background. Although both companies are founded and located in Germany, Volkswagen is considered to be “entirely German”, whereas Daimler and the relation to its EWC could be slightly influenced by the fusion with Daimler, an US-American company, in the 1990s.

### 4.1 Volkswagen

The first plant of Volkswagen was built in 1938. The name “Volkswagen” was intentionally chosen since the cars being built should be for the people (*das Volk*). During the Second World War the Volkswagen Company participated in the building of bombs and other military machinery for the Nazi regime. After the Second World War the Allies thought about dismantling the factory and transfer it to the UK, however, it was decided to keep the factory in Germany, because the Allies needed civil cars. The Volkswagen-Käfer, the car which was mainly produced back then, became a bestseller worldwide, so that the management of Volkswagen decided early, in 1956, to invest into plants abroad. The first Volkswagen plants outside of Germany were in Brazil and South Africa. The internationalisation of the Volkswagen Company continued during the post-war period and is still continuing, with new plants in the USA, Russia and China (Müller et al, 2004). But Volkswagen is not only building new plants all around the globe, but is also buying other brands. At the time of writing the Volkswagen Company consists of ten brands, which are Volkswagen Pkw, Volkswagen Nutzfahrzeuge, Seat, Scania, Skoda, Bugatti, Lamborghini, Audi, Bentley, Financial Services, and the most recent, not yet fully integrated brand Porsche.

In the 1960s the so called Volkswagen-Act were introduced, which lays down that the Volkswagen Company becomes a corporation (in German: *Aktiengesellschaft (AG)*) of which no shareholder may have more than 20% of the votes. The *Bundesland* Lower Saxony, however, holds 20% of the shares and has the right to veto on decisions.

Codetermination always played an important role at the Volkswagen Company. There are two stages in the development of transnational employee representation at Volkswagen. The first stage goes from 1970 to mid-1980s, when the first informal relationships between employee

representatives of the plants worldwide were established. The second period started in the late 1980s, when transnational cooperation of employee representatives worldwide was institutionalised. (Müller et al, 2004)

Practices of employee representation and codetermination were introduced due to the intensified competition between the plants worldwide in terms of costs, productivity and modernisation; as well as changes in the organisation of functions and responsibilities in the Volkswagen Company management (Müller et al, 2004a). The central tasks of employee representatives in the Volkswagen Company is the gathering and forwarding of information about the political, economic and cultural situation in the countries where Volkswagen has plants, as well as the establishing of contacts to local trade unions in order to develop relationships of solidarity (Müller et al, 2004). The international solidarity of the Volkswagen Company can especially be seen by, for example, campaigns to raise money for children in South-Africa.

Even though efforts are made to establish international employee representation systems with all members being equal, it is often the bigger plants where employee representatives are concentrated and who have more votes and thus more say. Furthermore, Volkswagen is characterised by a strong German culture, which the Company tries to spread into the world.

In its “*Nachhaltigkeitsbericht 2009/2010*” Volkswagen calls upon its codetermination culture and states strongly how important employees are in difficult times, such as the current financial crisis. The current “*Strategy 2018*” even contains one aspect, concerning the development of codetermination rights of employees, which clearly shows how important codetermination is in the Volkswagen Company. This can also be seen when looking at the works councils of the German plants. Members of the German works councils enjoy vast participation rights and are included early in decision-making processes, according to a member of the Volkswagen Group UK (Müller et al, 2004).

#### **4.1.1 Volkswagen’s EWC**

Volkswagen was the first automobile company which established a EWC in 1990, which is four years before the Directive on EWCs was adopted. The first EWC meetings were without formal recognition by the management and thus happened without contract and / or rules of procedures. The final agreement to establish a EWC was two years later in 1992. It is thus build on Article 13 of the EWC Directive. The agreement is hold in very general terms, which keeps the EWC flexible, and shows that the EWC is built on trust and the principle of cooperation. There have been several amendments during the last years, which all relate to the restructuring of the group due to the acquisition of new plants and brands. (Weiler, 2004) The EWC is seen as an organ for conflict mediation (Weiler, 2004) by the building of confidences, shared learning and support (Patriarka and Wetz, 2008). The EWC is a means to provide employee representatives of all subsidiaries with the knowledge about the other subsidiaries, thereby creating close contacts among employee representatives of the different subsidiaries. The management thereby tries to reach internal cohesion by applying minimum standards in all subsidiaries. (Weiler, 2004) By doing this the Volkswagen management spreads the typical German high standards of labour regulation into plants outside of Germany (Hertwig et al, 2008).

The composition of the Volkswagen EWC is left open, *i.e.* there are no specific requirements on the number of representatives and the composition. However, members of the EWC need to be “*freely elected democratic legitimated employee representatives of the company*”, who “*should according to existing legal regulations adequately represent the subsidiaries of the Volkswagen Group in the respective country*” (VW EWC Agreement of 1992; Enclosure 2, § 2.1). Thereby Europe is seen as an entity, which means that the EWC of Volkswagen also

includes all Eastern European countries as full members even prior to their acquisition into the EU (Weiler, 2004). The composition of the Volkswagen EWC is mainly according to countries but also divisions. It is an employee representative only organ. In 2004 the EWC was composed of 25 members, 11 employee representatives from Germany, five from Spain, two from Belgium, and from the Czech Republic, and one from Poland, Slovakia, Portugal, the UK and another special member from Germany. Furthermore, the agreement requires that subsidiaries establish national coordinating committees, if not already existent. Moreover, an Executive Committee is to be established which is composed of at least one delegate per country plus the president and the general secretary of the EWC. The EWC meets at least once a year, at which the entire management board can be represented. The EWC furthermore consists of committees, which are established according to the issues discussed. The chair of the EWC and its meeting is held by employee representatives, who also have secretarial staff to fulfil their tasks. Furthermore, EWC employee representatives enjoy full-time release for their work as EWC employee representatives. (Weiler, 2004)

The EWC agreement of 1992 specified the topics on which EWC members enjoy the right on information, which should be discussed at all meetings. The discussions shall serve as an exchange of information on “*development trends and strategies, and promote to the benefit of all concerned*” (VW EWC Agreement of 1992, § 3.3) and are meant to establish a continuing dialogue between employee representatives (Patriarka and Wetz, 2008). The topics to be discussed are the “*securing of jobs and plants, and plant structures; development of Group structures; productivity and cost structures; development of working conditions (e.g. working hours, wages and salaries, job design); new production technologies; new forms of work organisation; work safety, including plant environment protection; the effects of political developments and decisions on the Volkswagen Group*” (VW EWC Agreement of 1992, § 3.2). Topics in which EWC employee representatives enjoy the right on consultation are the “*planned cross-border transfers of production (main investment emphases, production scope, essential company functions)*” (VW EWC Agreement of 1992, § 4.1). The consultation should take place in “*good time*” (§ 4.1), so that the EWC or the executive committee have “*appropriate time*” (§ 4.2) to respond. At the end there is always time for clarifications. Translations are provided and paid by the management (VW EWC Agreement of 1992, Enclosure 3, § 1.1). The agenda-setting can be done by employee representatives only or jointly by the management and employee representatives (Weiler, 2004). Even though the Volkswagen EWC enjoys information and consultation rights on various issues, it lacks codetermination rights. The differences between the rights EWCs enjoy and the ones the German works councils have, can be found in Section 5.1 and in Appendix A.

The Management of Volkswagen committed itself to reach agreements, so that employee representations get information at an early stage in a comprehensive manner. Employee representatives are also involved at final stages of decision-making in the various committees of the EWC. However, Carley and Hall (2006) note that decisions are not made at the EWC but needs to be taken at the supervisory boards.

## 4.2. Daimler<sup>3</sup>

The development of Daimler and its codetermination structure is not as straightforward as the one of Volkswagen. There have been changes in the structure and composition of the Daimler Company. The company *Daimler-Motoren Gesellschaft* was founded in 1892, and the company *Benz Motoren* in 1883. In 1926 both companies merged to Daimler-Benz. During the years of being the Daimler Group incorporated brands like Mercedes Benz, Maybach,

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<sup>3</sup> It is important to note that in the following I will only talk about Daimler, even though it changed its name several times (Daimler-Benz, DaimlerChrysler), since this would produce too much confusion

Freightliner, Western Star, Fuso, Setra, Orion and Thomas Built Buses. In 1998 Daimler-Benz merged with the US-based company Chrysler and changed its name into *DaimlerChrysler*. In 2007, however, the two companies split up, but the Daimler Company still holds 19.9% of shares of Chrysler. Daimler had two bigger internationalisation periods in the 1950s and the 1970s when it built or bought new plants all around the globe. Today Daimler produces in 19 different countries worldwide (Daimler Nachhaltigkeitsbericht 2009).

During the latter internationalisation period Daimler started to establish transregional networks primarily with its Brazilian plant in Sao Bernardo. These networks relied especially on personal relationships and served as means to exchange information and experience and establish a feeling of solidarity among the employees of the plants. In the 1990s Daimler started to “Europeanise” labour relations with employees Europe-wide by establishing a European distribution committee, which were later integrated as one EWC committee. At that time the global arena was of little importance, which changed dramatically with the fusion with the US-American company Chrysler. The newly merged company DaimlerChrysler continued the process of the transnationalisation of codetermination rights in all plants worldwide and adopted several charters to support social rights in the Group. (Müller et al, 2004)

Employee representation has been said to be important in the Daimler *Nachhaltigkeitsbericht* 2005, since Daimler sees the relationships towards employees as necessary. In 2010 however, Daimler mentioned this important relationship towards employees hardly at all and even released employees to lower their costs of labour. Thereby it surely supported the future of the Company but on costs of employees. Unfortunately, I could not find out how the codetermination organs of Daimler reacted at this case.

#### 4.2.1 The EWC of Daimler

There is only little information about the EWC of Daimler which made a detailed description very difficult. The EWC of Daimler was founded in 1996 on basis of Article 13 of the EWC Directive, *i.e.* on a voluntary basis. As has been mentioned earlier there have been efforts to establish a European wide system of employee representatives. The final push towards a EWC came with the EU Directive on EWCs. There is hardly any plant competition in the Daimler Company, which is why the EWC of Daimler is mainly used as a way to exchange information and to communicate transnationally. (Weiler, 2004) The objective of the EWC of Daimler is primarily to “*inform and consult the employees of [Daimler] in the European Union and the European Economic Area*” and was “*designed to foster mutual understanding, to promote the willingness for cooperation and thus to facilitate the process of integration*” (EWC agreement DaimlerChrysler, 01.05.2002; §1).

Important to note at the EWC of Daimler is the strong dominance of the headquarters in Stuttgart in Germany. Its works council is the main actor amongst all other employee representatives of the EWC. With the establishment of the EWC the German works council was able to expand its scope of responsibility and representation Europe-wide, since it is believed that the German works council can deal with cross-border issues more effectively than the EWC. (Müller et al, 2004; Weiler, 2004)

The composition of the EWC of Daimler has only changed once in 2002, *i.e.* after the fusion with Chrysler. The major and only change was in the number of employee representatives in the EWC. Before 2002 there were 30 employee representatives in the EWC, of which 20 were Germans and 10 from other European plants. Since 2002, which was also the latest amendment, there are 25 employee representatives, 12 being from the German works council, four from Spain, three from France, two from Italy, and one from the UK, the Netherlands and Belgium. Furthermore, there are two German guests allowed which are no members of

the EWC. All members of the EWC are elected for four years. There is the possibility to establish committees, which may represent group of countries or deal with particular issues. Furthermore, an executive committee, which is composed of the chairman and its deputies, is elected. However, the way of electing the chairman and its deputies is not specified in the agreement. The Executive Committee meets several times a year and prepares the meetings. Even though the EWC is an employee-representatives-only organ, the chief executive board as well as the human resource managers are usually present at meetings. The executive board is also the one setting the agenda together with the managers of Daimler. The EWC meetings take place once a year in the headquarter in Stuttgart. The costs for the meetings, as well as for translations are born by the management of Daimler. (Weiler, 2004)

The topics discussed in these meetings include *“the structure of the Group; the economic and financial situation of the Group; the anticipated development of business, production and unit sales; the employment situation and anticipated future trends; investment; fundamental organisational changes; the introduction of new work or production processes; transfers of production; mergers, reductions in size of closure of undertakings and establishments or important parts thereof; mass redundancies; other exceptional circumstances that have a substantial impact on the interests of employees”* (EWC agreement DaimlerChrysler, 01.05.2002; §15). Even though the EWC agreements states that EWC members enjoy information and consultation rights on these issues, consultation is often limited if existent at all. Furthermore, the employee representatives feel that the information they get is too unspecific. (Weiler, 2004)

In general, the EWC of Daimler is considered as weak. Decisions are taken by the German works council, or by the World Economic Committee (WEC; equivalent to a World Works Council) and not by the EWC. In general, the EWC is of little importance compared with the German works council or the WEC.

## 5. Analysis

The following section will provide an analysis of the EWCs of Volkswagen and Daimler. My leading assumption is that Germany is liberalising. If Germany liberalises so should its actors, such as companies and their structures. The German works councils can hardly be changed, due to legal restrictions imposed by German law. EWCs, however, do not have such strict regulations and can adapt easier to the needs of companies. This argument rests on the assumption that EWCs are strongly shaped by the home country (Donnelly et al, 2000). If this holds true then we should see a great distinction between the EWC of a company and the corresponding works councils in the headquarter. The more they differ from one another, the higher the chance that many employer interests have been considered in the implementation. This question will be discussed in Section 5.1. If the EWCs of Volkswagen and Daimler differ from their German counterparts, then they should contain features of LMEs, because works councils are typical for a CME. If they do not differ from their German works councils, then they should have elements of CMEs. In Section 5.2 I will explain how I assume an ideal EWC in a LME and a CME would look like, and in Section 5.3 I will apply these characteristics to the EWCs of Volkswagen and Daimler.

If the analysis shows that the EWCs of Volkswagen and Daimler differ greatly from the German works councils and contain many features of LMEs, I can conclude that the particular company drifts towards a more liberalisation, which would not be possible to see at German works councils, due to legal constraints. In the end in Section 5.4 I will depict where Germany stands on a generalised liberalisation scale, and where the German works councils, as well as the EWC of Volkswagen and Daimler are located.

### 5.1 Differences between the EWCs of Volkswagen and Daimler to German works councils

As has been said in the introduction German works councils are largely constrained by German law in the set up and functioning. Of course there are always differences in the way works councils are used, but to find out about their standing one needs to conduct a significant number of interviews with members of the works council as well as the management and other employees of the company. Since this would go beyond the scope of this thesis, a different approach is followed here, namely a desk-research related approach, relying on secondary literature.

This section will compare the set-up of German works councils as they are defined by law with the set-up and functioning of EWCs. Again, it is important to keep in mind that my argumentation rests on the assumption that *“EWCs are institutions worked out through company-level negotiations and thus strongly shaped by the home-country practices”* (Donnelly et al, 2000:39). This assumption allows me to investigate whether the companies indeed liberalise, because if they differ greatly, this should be a sign of liberalisation. I will especially focus on aspects such as the set up and participation rights, as well as the way the EWC is seen by members of the particular EWCs.

At **Volkswagen**, members in the works councils enjoy close contacts towards one another. The efficient and effective working of the works councils on the plant level as well as on the EWC level is guaranteed by the establishment of several committees, which are designed to deal with specific issues, and are thus composed of experts in these fields. At both, the German works councils and the EWC level members of the works councils enjoy at least part-time release from their duty as employee in order to fulfil their task as employee

representative. Employee representatives work closely together with the management and initiate joint actions at the various levels of the company. At all levels (plant, Company and European) works councils meet frequently, in the case of the EWC, members meet twice a year, once in conjunction with the Group World Works Council.

The more important aspect of comparison between the EWC and the German works councils is the degree of participation rights granted to the particular works council. The works councils at both levels, that is the plant and the EWC level, enjoy information right on more or less the same issues. To recall, this issues include the development, trends and strategies of the company; the securing of plants and jobs; and the development of working conditions, new production technologies and work organisation. However, in terms of consultation rights the German works council enjoy more rights, since the EWC is only to be consulted on matters concerning the “*planned cross-border transfer of production*” (VW EWC Agreement of 1992, § 4.1). There are no codetermination rights.

At Volkswagen codetermination is regarded as part of the firm culture and thus also the codetermination organs, such as the works councils play an important role in the company. The works councils at all levels, including the EWC are organs for conflict mediation. That means that the company is built on the principle of working together peacefully, thereby ensuring that decisions are supported by both the employee representative and the management side.

The EWC of Volkswagen can be regarded as a new layer (Streeck and Thelen, 2005) of employee representation in the company. The EWC can be considered as a new element in the pursuit to establish a peaceful and cooperative working environment throughout the company. This new element is simply attached to the “old” structure of employee representation at the Volkswagen Company. Even though EWC members enjoy less rights than do their counterparts in German works councils it is still regarded as an important element. This ‘layering’ form of liberalisation can also be seen by the sponsoring of the EWC organ by the headquarter, and how decisions at the Group level are increasingly taken at the World Works Council level, undermining the dominance of the German works council.

At **Daimler**, the EWC is regarded as having little importance, which is why its members also have loose contact with each other, since they meet only once a year. This is opposed to the close and frequent contacts between members of the German works council of Daimler. As has been said in the previous chapter, it is usually the German members of the EWC who initiate actions and thus also negotiate with the management. Therefore, the EWC does not initiate any joint actions and entirely depends on the strength of the German works council. At both levels members of the works councils are released from work. However, members of the German works councils are released partly from work as is required by law, EWC members are released from work to participate at the EWC meetings only.

Even though the EWC agreement of Daimler states that EWC members enjoy information and consultation rights on certain issues, the practice shows that consultation is hardly ever present. Also the scope of issues on which EWC members have the right for information differs from the one of the German works council. Whereas the EWC members are mainly informed about the current situation of the Group, members of the German works councils are already informed about issues before they are implemented.

The EWC of Daimler is a bit more difficult to analyse than the one of Volkswagen, since there is only few information available about it. It is not known whether Daimler uses its works councils for reasons of conflict mediation. The EWC of Daimler is, on the one hand, a new layer (Streeck and Thelen, 2005) of employee representation, since the German works council could expand its scope towards the European arena. The EWC is a new layer of the influence of the German employee representative system. On the other hand, the term works council is conversed to a different purpose, namely a simply symbolic organ with hardly any

rights. As can be seen from the practice of non-consulting EWC members, one can see that there are gaps between the rules of the EWC, as has been enshrined in the EWC Directive and the enactment (Streeck and Thelen, 2005).

The EWCs of both Volkswagen and Daimler show differences to the set-up and functioning of the German works council. This is recognisable by the fact that members of both EWCs do not enjoy any codetermination right. Especially in terms of participation rights the EWC of Daimler shows more differences (*i.e.* less rights on fewer issues) towards the German works council than the EWC of Volkswagen. For a more detailed overview about the differences in participation rights between German works councils and the EWCs of Volkswagen and Daimler please refer to Appendix A. Finally, it must be noted that issues that fall under the right of codetermination are difficult to agree upon by both sides. With an increase in the number of people who may codetermine as well as the increase in different cultural backgrounds, it becomes even more difficult to reach agreement. Therefore, both companies (Volkswagen and Daimler) stick to information and consultation rights, in order to keep a peaceful working environment.

## 5.2 EWCs in the perspective of “varieties of capitalism”

There has not been a scholar defining how EWCs would look like in the two ideal models of market economies<sup>4</sup>. This might be because EWCs are not that much investigated or because there is only one country in the EU which comes very close to a LME, namely the UK. However, since the two models are only ideal types, and market economies seldom fit perfectly into ideal types, the market economies of countries can inhibit features of both ideal types, even though ideal LMEs do not have works councils (see Section 2.1.1). With the EWC Directive however, multinational companies within countries with LME features have to form EWCs.

The following description of ideal types of EWC in the two market economies is only based on the author’s discretion and leans strongly on the description of the particular ideal type of market economy, as well as the classification by Müller and Platzer (2003) of the EWC types. Even though a distinction of EWCs on Article 6 and 13 of the Directive would be reasonable at the first sight, since Article 13 is based on voluntary agreements (an indicator for CMEs) and Article 6 on forced agreements (an indicator for LMEs), this distinction cannot be made, since automatically all companies that established their EWCs after 1996 fall under Article 6. However, this distinction can only be valid when looking at companies founded and / or gone global before 1996, all “newer” companies cannot be categorised using this distinction since all EWCs of those companies fall under Article 6 of the EWC agreement, which simply says that companies need to set up a EWC in the way described in the agreement.

The ideal-EWCs in LMEs are hierarchical in nature. Members of the headquarters are more important than members of other plants in Europe. Members do not trust each other, since they fear other members could use anything they might say against them. The members of the different plants of the company compete with each other, which is also why the exchange of information is kept to a minimum. Participation rights, such as the right for information and consultation are only formally there, but are not lived. Codetermination rights are non-existent. Decision-making within the company does only take place at the management level of the particular plant, or if the decision involves all plants the headquarter takes the decisions

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<sup>4</sup> As far as I know there has not been someone defining EWCs according to these models. If there is I apologize at this point.

and 'hands it down'. The relationships are thus top-bottom, and reflect the relationship between management and plants which also exists outside of any employee representative organ (Patriarka and Welz, 2008). EWCs in LMEs would be symbolic in nature. EWCs are only created in order to fulfil the requirements of the EU Directive on EWCs, without specific tasks other than just complying with the Directive. Their task is mainly to hold the annual meetings with the management, without having true rights on consultation. (Müller and Platzer, 2003) According to Patriarka and Welz (2008) symbolic EWCs face a legitimacy problem, since it is unclear why they exist. Therefore the achievement of joint actions is highly unlikely (Patriarka and Welz, 2008). The EWC in general is thus regarded as relatively unimportant; its mere existence is often only explained by the EU Directive to have a EWC.

The ideal-EWC in CMEs, on the other hand, is equalitarian. Members are seen as equal, no member is more important than the others. This can also be seen by the equal access to resources, such as training for EWC members. EWCs in CMEs enjoy many participation rights. The rights enshrined in the EWC Directive are systematically developed on more and more issues. Decisions are made by consensus and are strongly community-oriented. The welfare of the entire community has priority to the minor needs of single plants. For example, it is always tried to avoid plant closures by making (minor) cuts to other plants. The management of the company works closely together with the EWC for exactly these reasons. Legitimacy of the EWC is strengthened by the cooperation between management and employee representatives who work together to achieve the possible best for all actors involved. Precisely, this cooperation between management and employee representatives in the EWC helps both sides to understand the other side better and to find solutions to problems jointly. This joint solution finding also means that actions taken by all actors together are long-lasting and supported by everyone. (Patriarka and Welz, 2008) In terms of Müller and Platzer (2003) EWCs in CMEs would be participative in nature, because the EWC is trying to expand their involvement which the management often is willing to accept. Both sides thus see the EWC as an important instrument, which the company is also willing to support financially.

### **5.2.1 The set-up of the EWC of Volkswagen and Daimler according to the ideal types of EWCs**

Section 5.1 showed that the EWCs of Volkswagen and Daimler differ regarding the set-up and functioning of works councils in Germany. This might already be regarded as a change towards liberalisation since fewer codetermination rights are granted at the European level than at the German level. However, as I have said earlier the right to codetermine decisions at the European level might block further decisions, which might be why neither Volkswagen nor Daimler granted this right to the members of their EWC.

In Section 5.2 I proposed ideal types of EWC, in the following I will investigate whether the set-up and functioning of the EWC of Daimler and Volkswagen fit into the categories of the two ideal types of EWCs. It must be noted that the EWCs of both companies often do not fall clearly into either one of the two categories. An overview of the two ideal EWC types as well as the features of Volkswagen and Daimler can be found in Appendix B.

The EWC of Daimler and Volkswagen are built on Article 13 of the Directive. Neither one of the EWCs did change significantly in their set-up since the date of establishment. The various amendments both companies experienced were mainly related to the composition in terms of seats per country (Daimler) and the establishment of new committees (Volkswagen).

In terms of agenda-setting the EWCs of both Volkswagen and Daimler have features which do not clearly fall into one of the categories. The management of both companies often

influence the setting of the agenda. Unfortunately, no sources exist which report on the strength of their influence. However, in both cases the agenda is hardly ever entirely decided upon by the EWC alone. For both companies, the characteristic 'agenda-setting' shows a stronger tendency towards the liberal EWC type.

The characteristic 'decision-making' is mainly a matter how EWC members perceive things, which is why I hardly can answer it. In the EWC of Daimler decisions are mainly made between the German works council and the management. These decisions are then 'handed down' towards other members of the EWC who have to implement it. Decision-making thus happens in a 'top-down' manner. The EWC of Volkswagen, on the other hand, claims to make decisions consensual, *i.e.* all members are equally involved. However, as has been noted before, it is the supervisory board that ultimately decides. In terms of decision-making, Daimler shows strong liberal EWC features, whereas Volkswagen falls in between both categories with a tendency towards the coordinated EWC type, since it is said that decision-making is consensual. This can only be answered fully when knowing the perceptions of all EWC members.

In terms of the exchange of information between members both companies show that it is often the headquarter which steers information towards the members. The EWC of Daimler, however, exchanges relatively few information, in comparison to the EWC of Volkswagen, where the exchange of information is said to be extensive. Thus, in terms of the exchange of information the EWCs of Volkswagen and Daimler cannot be simply categorised into one of the two EWC-types. The EWC of Daimler is bending more towards the liberal side, whereas the EWC of Volkswagen has a tendency towards the coordinated EWC type.

The relationship between members within both EWCs is not considered as bad. However, in the case of Daimler, the dominance by the German works council is felt strongly, which is why the relationship is also hierarchical. Also in the case of Volkswagen dominance by the German works council can be felt. However, it is claimed that the EWC of Volkswagen is built on mutual trust, and that the interest of the entire group take precedence over interests of single plants. Again, neither one of the two EWCs can be clearly categorised into one of the two ideal-EWC types. The EWC of Daimler appears to be more liberal than the one of Volkswagen.

The feature of the 'relationship between the EWC and the management' is a bit more difficult to analyse, since there are only few information. The management of Volkswagen is said to be very supportive of and cooperative with the EWC. The EWC of Volkswagen falls therefore rather under the category of coordinated EWCs. Unfortunately, I do not have any information about the relationships between the management of Daimler and its EWC.

In terms of participation rights, the EWC of Daimler has only few rights, of which the right for consultation is strongly limited. Overall, it appears that the rights enshrined in the agreement on the establishment of the EWC of Daimler are only formally there, but in reality they are kept to a minimum(see Weiler, 2004; Müller et al, 2004; eurofound, 2003). At Volkswagen, there are many issues for which members of the EWC are entitled to participate in the decision-making procedures. These rights are also well used. Therefore, one can categorise the EWC of Daimler into a liberal EWC type whereas the EWC of Volkswagen rather falls under the coordinated type of EWC.

The EWCs of Volkswagen and Daimler can also be distinguished according to the models of Müller and Platzer (2004). The EWC of Volkswagen is considered to be an important instrument which is granted many rights. The EWC actively participates in the formulation and realisation of various things, such as the social charter of 2002 or the charter of labour relations of 2009, which points towards a participative EWC. Thus the VW EWC can be regarded as participative, which is a feature of a CME-EWC. The EWC of Daimler on the other hand is less active than the EWC of Volkswagen. It serves a more symbolic than

participative function. Therefore, I would regard it as a symbolic EWC type, which indicates a EWC in a LME.

Of course, these distinctions between CME-EWC and LME-EWC are not fully developed and require further research on the model itself and obviously also on the EWCs of Daimler and Volkswagen. Especially the conduction of interviews with members of the EWCs could deliver further evidence and support for my thesis. However, I believe this would have gone beyond the scope of a bachelor-thesis in terms of the required time and efforts.

### 5.3 Liberalisation in Germany and the EWCs of Germany’s global players

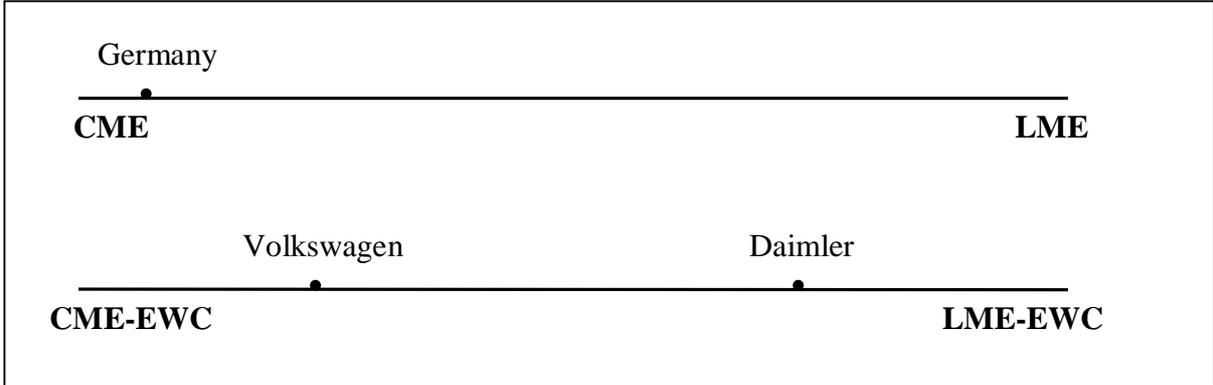
Germany is liberalising in various aspects, as has been seen in Section 2.2. However, regulations regarding codetermination in works councils in Germany have stayed more or less the same and did not significantly liberalise. Since I am only looking at the aspect of codetermination, Germany remained a truly coordinated market economy in this regard. On a liberalisation scale, Germany would be located close to the CME end (see Picture 1).

Picture 1: Germany in terms of codetermination on the liberalisation scale



My thesis rests on Donnelly’s argument that EWCs are shaped according to their home country (Donnelly et al, 2000). As we have seen, the regulations for German works councils changed hardly at all. This is why I assumed that the EWCs of Volkswagen and Daimler are located close to point of Germany on the liberalisation scale, since they should be shaped according to the home country. However, as Picture 2 shows the EWCs of Volkswagen and Daimler are located more towards the right end, since the set-up and functioning of their particular EWC contains liberal features (such as no granting of codetermination rights). The EWC of Daimler is located even more on the right side than the one of Volkswagen, because Daimler has many more features of LME-EWC types than Volkswagen. The position of Germany, Volkswagen and Daimler are only relative and not absolute.

Picture 2: The EWCs of Volkswagen and Daimler on the liberalisation scale



As we can see in Picture 2, Volkswagen and Daimler indeed liberalised in terms of codetermination rights they granted their employees on a European scale. So far I can only say that the EWCs show liberal features but the question why this is so, must still be

answered. It appears that that is the company's choice on how the EWC shall be structured and function, rather than the influence of the home country. The answering of this question requires more research.

Of course, my investigation only scratches at the surface of this complex topic. To fully investigate on EWCs whether companies liberalise in terms of codetermination, one need to conduct interviews with members of all different plants of the company to get an impression about their point of view on things.

Furthermore, one can distinguish between the levels of analysis. Firstly, liberalisation can be seen as a global phenomenon, which means that everywhere in the world liberalisation occurs, and thus should also be felt in EWCs. According to the global level of analysis liberalisation should be felt everywhere in a uniform way, because it depends on economically based decisions within the world economy. The global level of analysis rests on the assumption that nations are homogeneous actors in the international system. (Singer, 1961) However, my findings cannot confirm this, since the EWC of Volkswagen and Daimler differ greatly on the liberalisation scale.

Secondly, one can see national differences in how liberalisation occurs. This means that the units under analysis, namely the nations, may differ. Differences thus occur due to differences of national institutions. (Singer, 1961) Since the two cases discussed in this paper are both examples of one country, it cannot be said whether the results in the discussion about liberalisation of codetermination procedures at the company level differ to such an extent so that these differences can be ascribed to different national institutions.

The third level of analysis is the firm level, which is also the lowest level of analysis and thus allows for analysing things in more depth. However, generalisations cannot be made at this level of analysis. (Singer, 1961) The firm level of analysis is also the one used within this thesis, since it is looked at the company level. It seems to be the company that decides on how to structure their EWC and thus it is also the company to decide to liberalise its codetermination practices.

## 6. Conclusion

This thesis dealt with the topic of liberalisation in Germany and its global players seen from the perspective of codetermination. It has been described what liberalisation and codetermination are and how they have developed and are developing in Germany. The two different ideal types of market economies, namely the Coordinated and the Liberal Market Economy have been explained. It has been shown that Germany is liberalising in several features, such as bank monitoring or the way unemployed are treated. In terms of codetermination rights, however, there have been hardly any changes at all.

In this context it was investigated whether Germany's global players show signs of liberalisation. This was done by looking whether the EWCs of Volkswagen and Daimler differ to the set-up of German works councils, and whether they have features of LMEs or CMEs. I found out that the EWCs indeed show differences to German works councils and include liberal features in their set-up and functioning. Especially Daimler shows many liberal features, which could indicate that the Company Daimler is liberalising too. But also Volkswagen, in which codetermination is claimed to be of high importance shows liberal features. If one only looks at the characteristic codetermination, and transfers the findings of EWCs to the entire company, it can be concluded that Volkswagen and Daimler indeed liberalised in this aspect. Unfortunately, I could not find out much about the exact timing when employees are included in the decision-making processes. At Volkswagen it is said to happen at an early stage whereas there is no information about Daimler.

The EWCs of both companies can be regarded as new layers of the German system of codetermination, since the influence of German employee representatives is extended (even though it appears that the VW German works council may lose influence in the future in favour of its global counterpart). Important is also that it can be excluded that the fusion of Daimler with Chrysler influenced the way its EWC is set up, because the first agreement on the establishment of an EWC happened in 1996, which was before the fusion. Already in the first agreement Daimler granted their European employee representatives only little rights on few issues. Because EWCs are a new layer to the German codetermination system their impact on the company and their home country is weak, meaning that they rely on the "old" system and can thus only exert as much influence as the German codetermination system allows for. Furthermore, in this analysis there could not be found any evidence for erosion, exhaustion and displacement.

The topic whether companies liberalise in terms of codetermination by looking at EWCs has hardly been addressed before, which is why my findings are only initial results. There are lots of opportunities for further research. First of all, the ideal EWC types need further research and more explicit definitions. Secondly, the functioning of EWCs can not only be judged according to the EWC agreement of the particular company, but depends highly on the perception of its members. Therefore, a series of interviews must be conducted to get a sound overview on how the EWC works. Thirdly, it must be investigated why EWCs show more liberal signs than does its home country. It is clearly not enough to say the company wanted the EWC to be set up and function like that. This leads to the fourth question whether companies of different countries without such strong legal constraints as there are in Germany show such strong differences between the EWCs of multinational companies and the respective works council.

In conclusion, my research found that there are differences in the set-up and functioning of the EWCs of Volkswagen and Daimler in comparison to the works councils in the home country. In the cases of Volkswagen and Daimler I can conclude that these two companies show tendencies to liberalise in terms of codetermination at the European level. The tendency

for liberalisation appears to be stronger in the case of Daimler than in the case of Volkswagen. It appears to be choice of the company to set up its EWC in a certain way. Thus the influence of the home country in the set-up and functioning of EWCs is not as strong as assumed in these two cases. However, it cannot be said that the liberalisation of a company in terms of their codetermination rights granted to their EWC is an indicator for liberalisation in Germany or respectively the weakening of the German codetermination system.

However, my findings can only be regarded as preliminary, since they only scratch the surface of this expansive topic, and need much more research. Furthermore, it must be noted that this study is a case-study, which means that generalisations cannot be made, and all initial results of this thesis can only be used for the two cases in investigation.

## Appendix A: Overview of the differences in areas of participation rights between German works councils and the EWCs of Volkswagen and Daimler

	<b>German works councils</b>	<b>EWC of Volkswagen</b>	<b>EWC of Daimler</b>
Information (and Consultation <sup>5</sup> ) Right	<ul style="list-style-type: none"> <li>• planning of work processes, workplaces, and personnel;</li> <li>• questions related to training of the staff;</li> <li>• changes in the company;</li> <li>• introduction of new working</li> </ul>	<ul style="list-style-type: none"> <li>• securing of jobs and plants, and plant structures;</li> <li>• development of Group structures;</li> <li>• productivity and cost structures;</li> <li>• development of working conditions (e.g. working hours, wages and salaries, job design);</li> <li>• new production technologies;</li> <li>• new forms of work organisation;</li> <li>• work safety, including plant environment protection;</li> <li>• the effects of political developments and decisions on the Volkswagen Group</li> </ul>	<ul style="list-style-type: none"> <li>• the structure of the Group;</li> <li>• the economic and financial situation of the Group;</li> <li>• the anticipated development of business, production and unit sales;</li> <li>• the employment situation and anticipated future trends;</li> <li>• investment;</li> <li>• fundamental organisational changes;</li> <li>• the introduction of new work or production processes;</li> <li>• transfers of production; mergers, reductions in size of closure of undertakings and establishments or important parts thereof;</li> <li>• mass redundancies;</li> <li>• other exceptional circumstances that have a substantial impact on the interests of employees</li> </ul>
Consultation Right	<ul style="list-style-type: none"> <li>• social plan;</li> <li>• internal rules of the company;</li> <li>• working hours;</li> <li>• holidays,</li> </ul>	<ul style="list-style-type: none"> <li>• planned cross-border transfers of production (main investment emphases, production scope, essential company functions)</li> </ul>	

<sup>5</sup> There is no distinction between information and consultation rights at Daimler.

	<ul style="list-style-type: none"> <li>• health and safety;</li> <li>• wage structure</li> <li>• bonuses related to performance</li> </ul>		
Codetermination Right	<ul style="list-style-type: none"> <li>• dismissals;</li> <li>• nomination of training officers;</li> <li>• recruitment;</li> <li>• grouping;</li> <li>• transfer</li> </ul>		

## Appendix B: Overview of ideal types of EWCs and features of the EWC of Volkswagen and Daimler

Characteristics	Liberal			Coordinated		
	Ideal-EWC	Features Daimler	Features Volkswagen	Ideal-EWC	Features Daimler	Features Volkswagen
<b>EWC type</b>	Symbolic	Symbolic, service oriented		Participative		Participative
<b>Agenda-setting</b>	Strong influence of management	Sometimes	Sometimes	Entirely done by EWC	Hardly ever	Hardly ever
<b>Decision-making</b>	Top-down	Top (German works councils) – down (other members)	Supervisory board	Consensual		Said to be consensual
<b>Exchange of information between members</b>	Kept to a minimum	Little exchange	Often steered by headquarter	Extensive		Many information exchanged
<b>Relationship between members</b>	<ul style="list-style-type: none"> <li>• Competitive</li> <li>• Hierarchical</li> <li>• Interests of individuals</li> </ul>	Hierarchical (members of German works councils seem to be more important)	Headquarter appears to be more important	<ul style="list-style-type: none"> <li>• Equalitarian</li> <li>• Trust</li> <li>• Group interest</li> </ul>	German works council operates also in the interest of the other members	<ul style="list-style-type: none"> <li>• Mutual trust</li> <li>• Group interest focused</li> </ul>
<b>Relationship with management</b>	Management strongly influences EWC processes	?		Participative and cooperative	?	Usually participative and cooperative
<b>Participation Rights</b>	Formally existent, but not lived	Information right used, but consultation right strongly limited		Extensive range of issues, ‘well lived’		Many rights, which are also ‘used’

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