



## SUSTAINABILITY FOCUS

SEPTEMBER 2014

# HUMAN CAPITAL AND SOCIAL DIALOGUE IN EUROPEAN COMPANIES

### KEY TAKEAWAYS

The scope of social dialogue in European companies has gradually extended to progressively include qualitative aspects of the work organisation, like employability, employee oriented flexibility, equal opportunities and stress management, but the inclusion of these issues in collective agreements is only fully embraced by a minority of companies.

The automobiles and chemical sectors demonstrate the highest level of openness to these qualitative issues, while financial sectors lag behind.

If the issues of the 'new agenda' are addressed, collective bargaining may become a facilitator of economic performance through the fostering of human capital.

### AUTHOR

Jan Vandenhove:  
[jan.vandenhove@vigeo.com](mailto:jan.vandenhove@vigeo.com)

## A RESEARCH SERIES ON HUMAN CAPITAL

The quality of human capital management is generally recognised as an important, if not the most important, source of organisational success. Strategic management of human capital fully recognises the value of competent employees and effective human resources practices and at the same time highlights the importance of organisational support to valorise these competencies.

Vigeo is currently executing a research project on human capital. Based on our exclusive database and an extensive literature review, we selected four topics to explore how European companies work to safeguard and improve their human capital practices. The present Sustainability Focus on social dialogue is the second in a series of four. The first one, on human capital and restructuring, was released in October 2013. In the coming months, Vigeo will release studies on two other human capital issues: one on human capital and the Human Resources function and another on stress management and human capital.



## EXECUTIVE SUMMARY

- The scope of social dialogue in European companies has gradually extended to progressively include qualitative aspects of the work organisation, like employability, employee oriented flexibility, equal opportunities and stress management.
- The inclusion of qualitative issues in collective agreements is only fully embraced by less than one third of the companies analysed in this study.
- The automobiles and chemical sectors demonstrate the highest level of openness to these qualitative issues, while financial sectors lag behind.
- Social dialogue has a strong formalising impact: once a qualitative issue has entered social dialogue it is there to stay.
- A stronger organisational commitment in favour of social dialogue facilitates the inclusion of qualitative issues, while the presence of employee representatives in the Board of Directors does not.

## ECONOMIC RATIONALE

Research on the relationship between social dialogue and corporate economic performance is limited. Whilst there is some consensus on the positive effects at macro-level, this relation is far from clear at company level. Beneficial impacts are often described in terms of greater participation by employees, which in turn would lead to a higher commitment and improved productivity. In an overview of recent research, the ILO refers to studies showing that participation through collective bargaining enhances the economic performance of a company<sup>1</sup>. In one of the most renowned studies, the World Bank (2002) concluded that ‘unionised workers tend to receive more training than their non-unionized counterparts, especially company-related training’<sup>2</sup>. More recently, Esener<sup>3</sup> (the European Survey of Enterprises on New and Emerging Risks, 2010) found that ‘... the presence of a works council or recognised trade union representation has a (positive) influence on the management of psychosocial risks’.

In this regard, the Decent Work Agenda of the

ILO is highly relevant. Originally, collective bargaining was mainly conceived of as a wage-setting instrument. The focus has gradually enlarged and collective bargaining is now dealing with ‘dynamic and qualitative’ aspects of employment conditions, like diversity and equal opportunities, work-life balance and flexibility, life long learning and employability, etc<sup>4</sup>. If the issues of the ‘new agenda’ (for collective bargaining) are addressed, collective bargaining may become a facilitator of economic performance through the fostering of human capital.



## VIGEO FINDINGS

This research analyses if and how European companies spread over 19 sectors are integrating these ‘qualitative and dynamic’ issues into collective bargaining with trade unions.

Based on the new agenda for collective bargaining of the ILO, Vigeo selected the following issues: training, professional development, equal opportunities, flexibility,

employability, stress management and other CSR issues (mobility plans, raising environmental awareness,...).

In the first graph, a distinction is made between three groups of companies depending on their degree of addressing qualitative issues in collective bargaining: no, partial or full inclusion of these issues.

### Approaches to social dialogue, by research cycle (% n=251)



The scope of bargaining has expanded substantially over time. In 2009–10, more than half of the companies (54%) did not address qualitative issues, while in the most recent surveys this share has fallen to 38%. In the same period, the percentage of companies negotiating on most qualitative issues doubled from 14% to 29%. The share of companies partially addressing qualitative issues remained stable, at roughly one third.

The extension of social dialogue is a gradual process: a majority of the companies appeared to adopt the same approach between 2009–10 and 2013–14 (62%), while 33% of the companies extended the scope of

bargaining. The opposite evolution, narrowing the scope of social dialogue, is uncommon. An interesting finding is that a very large proportion of companies (80%) that have addressed qualitative issues in the past, stick to this approach: once qualitative issues have entered social dialogue they are there to stay.



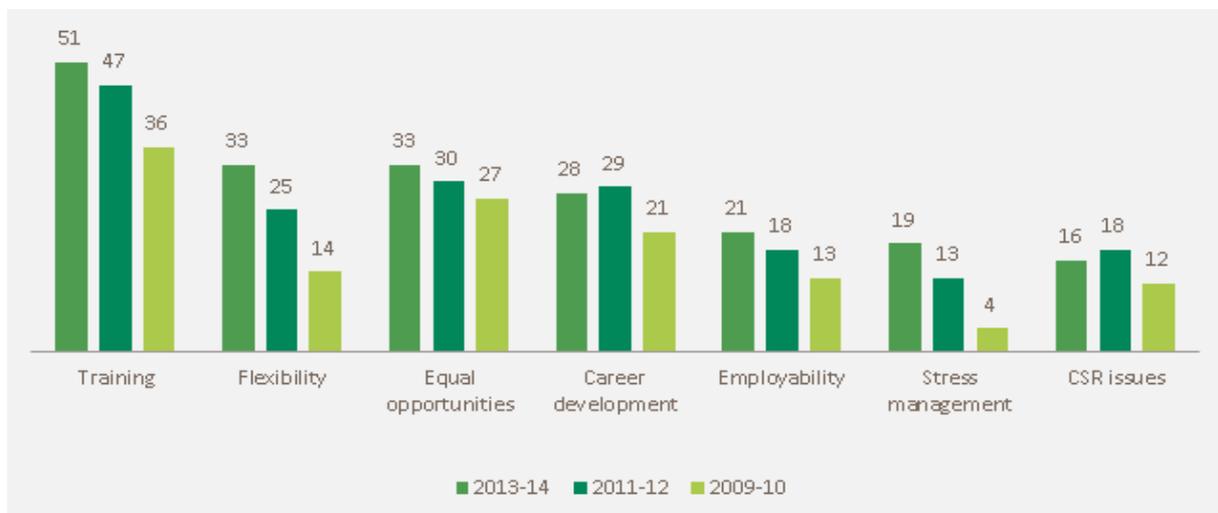
## SUBJECTS ADDRESSED

The analysis can be further refined by looking at the presence of qualitative subjects covered in collective bargaining. In the graph below, the presence of various subjects in social dialogue is presented.

Training is most frequently addressed (51%), followed by equal opportunities, flexibility

(33% each) and career development (28%). The other emerging issues, employability/life long learning (21%), stress management (19%) and CSR related issues (mobility, environmental awareness, compliance...) (16%) are less often part of the collective bargaining process.

### Qualitative issue in collective bargaining, by research cycle (%)



Over Vigeo's last three reviews all emerging issues have been addressed more frequently, but with the exception of training, not more than one third of the companies address other qualitative issues.

This increase is almost continuous, with the exception of career development and CSR issues. Flexibility (+19%), training (+15%) and stress management (+15%) registered the strongest increases. For the last issue it has

to be noted that it was almost completely absent in social dialogue in 2009-10.

Despite the overall trend of expanding social dialogue, it is clear that qualitative issues are only fully embraced by a minority of companies.



## SECTOR DIFFERENCES

The table below presents the inclusion of qualitative subjects in collective bargaining for sectors with a least ten companies.

### Qualitative issues in collective bargaining, by sector level (%)

Sector	#	Training	Career Develop.	Flexibility	Employ ability	Stress Mangt	Equal Opport.	CSR Issues
Automobiles	12	100	42	42	17	25	50	33
Chemicals	16	50	19	50	38	13	19	13
Telecom- munications	15	27	27	40	20	33	20	13
Electric & gas utilities	18	72	61	44	22	22	33	22
Energy	11	45	18	36	9	27	45	27
Metals & mining	16	44	25	38	31	19	38	19
Universal banks	26	65	27	42	19	19	42	15
Retail banks	14	43	43	43	7	21	43	7
Insurance	15	47	40	33	40	27	53	27
Total Universe	251	51	28	33	21	19	33	16

Compared to the overall sample the Automobiles sector has the broadest scope of bargaining with a frequent inclusion of training, development, flexibility and CSR related issues in collective agreements. The sector's leading role does not come as a surprise: there is long standing tradition of constructive industrial relations and of developing innovative work practices.

Chemical companies have an unbalanced approach: while they appear generally not very active in addressing qualitative issues, flexibility and employability are the exceptions and on those two issues, they have taken up a leading role.

Telecommunications and Electric and Gas Utilities are two sectors that traditionally

belonged to the public sector in the past (although the privatisation took place earlier in the Telecommunications sector). Telecommunications is one of the most passive sectors in addressing emerging issues, with the exception of stress management. The 2009 wave of suicides at former France Telecom and union criticism on working conditions at call centres may have served as wake up call for the whole sector. Electric and Gas Utilities appear more open for innovation in collective bargaining, especially with regard to training, development and flexible working.



The extractive industries, Energy and Mining and Metals, still adopt a traditional approach.

Finally, aside from equal opportunities and flexibility, the Bank sectors do not excel in terms of their openness to innovative social dialogue. The Insurance sector shows more openness to qualitative issues. Employability is a key challenge for both sectors given their relatively old workforce. While the subject is

almost completely absent in both bank sectors, Insurance is the sector where this subject is most frequently (40%) addressed. The joint statement of the European social partners in the insurance sector on the demographic challenge (2010) illustrates the awareness of the pressing need to address the issue of an ageing workforce.

## DOES THE POLICY SHAPE MANAGERIAL PRACTICES?

44 out of the 251 companies have concluded a collective agreement in which the organisation of social dialogue is addressed. This can take the form of an international framework agreement with international or European trade unions, an agreement in the context of establishing a European company (SE: Societas Europaea) or an agreement with national trade unions. 19 out of these 44 companies (43%) address qualitative issues, like employability, flexibility, stress management, etc. This contrasts sharply with the 207 companies without such an agreement: only 19% (39 companies) rely on the qualitative approach.

In 61 companies, employee or trade union representatives are members of the board of directors. On the whole, these companies do not appear more advanced in addressing qualitative issues.

Finally, in 56 companies the responsibility for the implementation of collective agreements is clearly assigned, be it to a dedicated department or unit, or to a joint labour-management committee. 24 companies (43%) include qualitative issues in collective bargaining.

## CONCLUSIONS

Over the years there has been a slow but steady broadening of collective bargaining within European companies. Currently, almost three in ten companies concluded agreements on quality aspects of the work environment. Equally important is the apparent continuity of this extension. On the other hand it cannot be ignored that qualitative issues are only addressed by a minority of the companies. The potential of collective bargaining to foster human capital is only partially valorised.

The question is not so much if social dialogue is the most appropriate channel to support the safeguarding and the extension of human capital: trade unions and collective agreements are part of the corporate reality. Social dialogue has a strong formalising impact: once a subject has entered the bargaining process, it will remain there. In this view, social dialogue may act as a facilitator for good human capital management by fostering better organisational awareness and creating a supportive coalition throughout the company.



## BEST PRACTICES

### AUTOMOBILES

In the automobiles sector (2013/09), six of the 14 companies have concluded a global framework agreement: **BMW, Daimler, Man, PSA Peugeot Citroen, Renault and Volkswagen**. **Michelin** is open to sign a global agreement and both **Valeo** and **Volvo** have signed a European agreement. Innovative approaches have been found at Renault and Volkswagen.

In July 2013, **Renault** signed a 'Global framework agreement on social, societal and environmental responsibility between the Renault Group, the Renault Group Works' Council and IndustriALL Global Union'.

The **Volkswagen** 'Declaration on Social Rights and Industrial Relationships at Volkswagen', deals with the freedom of association, collective bargaining, prohibition of child work and forced labour and non-discrimination, as well as remuneration, health and safety and working time.

### CHEMICALS

Six out of the 16 companies signed a collective agreement on employability and life-long learning: **Air Liquide, Akzo Nobel, Bayer, Koninklijke DSM, Symrise** and **Umicore**. The agreement at Bayer is noteworthy.

#### Bayer

The General Works Agreement on lifetime working and demographic change concluded in 2010 implements the collective agreement of the same name. The focus at Bayer is on fostering the health and long-term employability of its employees. The specific measures comprise reducing the workload on older shift workers, easing the return to work after long-term illness and an extensive health screening program for all employees.

### INSURANCE

Four companies out of 15 signed an agreement on stress management: **Allianz, Axa, CNP** and **Legal & General**. The most innovative approach is observed for the last company.

#### Legal & General

Unite representatives sit on the Group Health and Safety Committee and there are also Unite health and safety representatives at all sites. L&G consulted extensively with Unite about the introduction of wellbeing initiatives from October 2013, including supporting employees suffering stress. L&G also consults with Unite about flexible working, on a groupwide basis, at the Equality, Diversity and Inclusion meeting, but also consultation takes place locally, within business units, with Unite about proposals to change working hours.

### SOCIAL DIALOGUE AND CSR ISSUES

The **BT** European Consultative Council discusses training, health and safety, environmental stewardship and corporate responsibility issues. At **Terna**, during the last renewal of the National Collective Labour Contract, the role Employee Safety Representatives was expanded to include environmental issues. Representatives may request the company to carry out inspections and they are consulted about risk assessment and the identification of preventive measures. In December 2010, **Intesa Sanpaolo** signed a framework agreement with Trade Unions, which foresees, among the others, the appointment of the Commission for Monitoring Safety and Sustainable Development, which includes workers representatives. In October 2012 the European Works Council and **Banco Santander** signed a joint declaration on labour relations that aims at ensuring sustainable and responsible sale of financial products.



---

## CONTACTS

For further information, please contact:  
Jan Vandenhove, [jan.vandenhove@vigeo.com](mailto:jan.vandenhove@vigeo.com)

## DISCLAIMER

All rights reserved. Reproduction and dissemination of material in this report for educational or other non-commercial purposes are authorized without any prior written permission from Vigeo provided the source is fully acknowledged. Reproduction of material in this report for resale or other commercial purposes is strictly prohibited without written permission of Vigeo.

## Notes and Sources

- 1) ILO, Collective Bargaining and the Decent Work Agenda, November 2006
- 2) Aidt, Toke; Tzannatos, Zafiris. 2002. Unions and Collective Bargaining : Economic Effects in a Global Environment. Washington, DC: World Bank
- 3) European Agency for Safety and Health at Work, 2010, A European Risk Observatory Report, European Survey of Enterprises on New and Emerging Risks, Managing safety and health at work
- 4) ILO, Collective Bargaining and the Decent Work Agenda, November 2007