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NEW EUROPEAN PROPOSALS ON CORPORATE INFORMATION DISCLOSURE

[by Phil Shapira]

A major debate is now underway within the European Economic Community (the EEC or "Common Market") over a proposal to extend workers' rights to know about and be consulted on corporate decisions. First introduced in 1980 by European Commissioner Hank Vredling, the proposal would provide workers with information about business operations on a regular basis and when major decisions—such as plant shut-downs—are planned.

Known as the "Vredling Directive," a revised version of the proposal was adopted as a draft directive by the European Commission—the EEC's "civil service"—in June 1983. The draft directive now goes to the Community's Council of Ministers—the EEC's political executive body. If approved by the Council, the directive will then be implemented as national law in each of the ten member states.

What the Vredling Directive Says—The draft directive applies to all corporations employing at least 1,000 workers inside the Community (including companies based outside of the EEC). These companies would be required to provide employees' representatives in branches and subsidiaries with regular information (at least annually) on the firm's structure; economic and financial situation; probable development of the business and of production and sales; employment situation and probable trends; and investment plans and prospects. This regular information is meant to give workers: "a clear picture of the activities of the parent undertaking and its subsidiaries as a whole."

In addition, there are further requirements where the company is **planning** a decision with serious consequences for workers (such as a plant closure or transfer of production). In these cases, the company has to disclose the grounds for the proposed decision; the legal, economic, and social consequences for the workers concerned; and the actions planned for the affected workers. Up to 30 days are to be available after these special information disclosures for workers to comment and be consulted.

Responding to business objections that Vredling would undermine the capacity of subsidiaries to manage local industrial relations, the draft directive requires both regular and additional information to be provided first to local management. The local management is then supposed to pass it on to workers' representatives. Tribunals would be set up in each country to adjudicate claims that information is being unfairly or incorrectly withheld.

The Need for Greater Information Disclosure—Several European countries have already established workers' rights to information and consultation, while almost all EEC states require advance notice of shutdowns. But the growth in the size and extent of operations of multinational companies has progressively reduced the effectiveness of current measures. Decision-making centers have moved from originally independent plants and companies to new parents elsewhere in the Community or outside the EEC altogether.

The increasing remoteness of workers from decision centers puts unions at a disadvantage. Decisions are taken at the corporate headquarters, often affecting subsidiaries in another member state. The local workforce receives little information and cannot participate in meaningful consultation.

The Vredling directive is meant to counter these problems created by corporate centralization. The proposal gives unions new rights to information on employers, particularly multi-nationals. The information will cover the whole enterprise, including subsidiaries, even if the firm is based outside the EEC.

The Politics of Information Disclosure—Not surprisingly, the Vredling proposal has been heavily attacked by multinationals, with some success. After business pressure, both the European Commission and the European Parliament watered down the original proposal.

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Although a few European companies have accepted the Vredling proposal, most are against it. Interestingly, the fiercest opposition has come from American multinationals, especially from large U.S. private companies like Bechtel and Mars. American firms fear that Vredling could lead to the establishment of transnational bargaining and say that they will reduce their investments in Europe should the proposal become law. The Reagan administration also opposes the proposal. Japanese companies were initially willing to go along with the proposal, but after U.S. pressure, Japanese business is now antagonistic.

Additionally, the member states of the European Community are themselves split on Vredling. Britain's Conservative government is strongly against the proposal, arguing that consultation and information procedures should be left for "voluntary negotiation" between employers and workers.

On the other hand, the French Socialist government is strongly for the proposal. The Center-Right governments of Germany, Belgium, Holland, Denmark, and Ireland are cautious, not wanting to alienate their national business communities, nor stir up new controversies.

Initially, the labor movement in Europe was slow to mount a strong campaign on behalf of Vredling. The European unions wanted not just information but greater influence over decisions, through means like works councils (joint labor-management boards which would allow direct worker control over companies). But now, the national trade unions throughout the member states are taking up the fight for Vredling more vigorously. The European unions have been prompted, perhaps, by the perception that there must be something in it, given the growing business opposition. But the unions have also recognized that workers need standardized cross-national rights to information about the operations of multinationals if they are to effectively organize.

However, while the Vredling proposal has made substantial progress in reaching the European Council of Ministers, it still has a long way to go before becoming community law. With the intense opposition from multinationals, especially American ones, and the political splits between the member states, it is likely to be some time (possibly years) before Vredling is finally approved. If implemented, the Vredling Directive would force significant improvements in current European practice. Certainly, the problem of increasing control over multinational decisions still remains. But if the campaign to obtain new information rights in Europe is successful, an important step along the way to increased control will have been taken.

-- Phil Shapira

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