Abstract: The process of globalization influences not only economic relations but also causes significant changes in the area of industrial relations and employee participation. The answer to the challenges of globalization has been the emergence of new transnational institutions of participation in the form of European Works Councils (EWCs) and European Companies (SEs) and the concluding of transnational company agreements. The aim of this paper is to examine the impact of globalization on the development of employee participation in Polish industrial relations. The paper argues that globalization leads to dissemination of forms of employee participation in Polish companies but the scope of the forms of participation is still lower than in companies in the old EU countries. The slow growth of participation in Poland has primarily resulted from an indifferent or even hostile attitude to participation on the part of the state and social partners.

Keywords: Employee Participation, Globalization, European Companies, European Works Councils, Transnational Company Agreements

JEL Classification: J53, J83, F66, M54

1. Introduction

Globalization is based on a long-term integration of activities at the level of economies, industries and enterprises across borders. This process is accomplished by expanding and intensifying trade, investment and information relations, which leads to the interdependent economic system on the world scale (Zorska, 2007). Globalization occurs in different areas - it is not just a phenomenon in economic terms but it also leads to significant changes in the political and cultural sphere or in the area of labor relations. According to Pries and Seelinger (2013), increasing international competition and a chain of global connections have resulted in changes in the pattern of labor market regulations in many countries. In the last twenty years, there has also emerged an institutional structure of transnational labor market regulations. It consists primarily of ILO-defined global minimum standards for work and employment conditions, European and World Works Councils created in multinational companies, principles of corporate social responsibility or transnational company agreements.
The system of industrial (labor) relations\(^1\), including employee participation, is influenced by the following dimensions of globalization: internationalization of the market, increasing competition, the free movement of capital and labor, the rapid development of information and communication technologies, as well as the growing importance of markets (Philips and Eamets, 2007). These dimensions affect the existing balance of power between social partners (the state, trade unions and employers’ organizations). Governments are increasingly less able to control the flow of international capital. The effectiveness of trade unions’ response to decisions of multinational companies also decreases (Rudolf, 2012). Taking over smaller plants in other countries by multinational companies often leads to treatment of employees primarily as labor costs, which results in disregard for the fundamental rights of workers and labor law. The resulting risk to social security of employees is considered as one of negative effects of globalization. According to Gladoch (2009), the future of labor law standards is therefore dependent on the effectiveness of representations of employees in multinational companies so as to avoid dismantling labor law.

If globalization is to provide both an economic and social benefits, it must be a source of sufficient volume of productive employment and at the same time it must meet workers aspirations for security and right for representation (Shahid and Khalid, 2010). Rudolf (2012) distinguishes two ways in which globalization impacts the development of employee participation forms. According to this author, globalization processes result firstly in the dissemination of pre-existing forms of participation, mainly direct and financial. The other form of impact is associated with the creation of new forms of employee participation resulting from globalization processes. These forms include European Works Councils (EWCs) and the European Company (SE). The aim of this paper is to determine the impact of globalization on the development of employee participation in Polish industrial relations. Two research hypotheses have been posed in the paper: (1) Globalization leads to dissemination of employee participation in Polish companies but the scope of forms of this participation is still lower than in companies in the old EU countries. (2) The slow growth of participation in Poland has primarily resulted from an indifferent or even hostile attitude to participation on the part of the state and social partners.

The article is structured as follows. I present below forms of employee participation which emerged because the spread of globalization processes had caused social problems that required the introduction of new institutional solutions. Then, the third section presents the experiences associated with the functioning of forms of direct and financial participation in Polish enterprises. The impact of EU directives on accelerating processes of employee participation in Polish industrial relations is analyzed in the fourth section. The fifth section is a brief conclusion, seeking to assess changes in the area of employee participation in Polish enterprises.

2. EWCs and SE as New Forms of Participation Resulting from Globalization

Globalization is greatly stimulated by international corporations that move across borders not only capital and goods, but also technologies. The process of globalization is also accompanied by the creation of new institutions, which - in addition to the existing ones - operate across borders (Stiglitz, 2005). European Works Councils, established under Council Directive 94/45/EC of 22 September 1994, are one of such institutions. They are a form of indirect employee participation which exercises the right to information and consultation of employees of multinational companies. The creation of EWCs was associated with a rapid increase in the number of mergers and hostile takeovers made by multinational companies. These institutions were intended as a tool for employees to respond effectively to social consequences of cross-border activities of such corporations (Adamczyk, 2011). Apart from the concern over the impact of globalization, the literature also mentions two other motives for the creation of European

\(^1\)The term "industrial relations" derived from the Anglo-Saxon tradition is often identified with the term "labor relations".
Works Councils. Another reason for the establishment of these transnational institutions was related to the initiatives of European trade unions to unite against the expansion of capital. The last reason, of an ideological and social nature, is related to the European integration in the framework of which democratization of industrial relations occurs (Gardawski, 2007).

According to data from the European Trade Union Institute - ETUI (European Works Councils Database, 2014), there were 1067 EWCs at the end of December 2014. These institutions operate in approx. 38% of multinational companies that are subject to the provisions of the Directive, which according to Jagodziński (2011) means that the statistical potential of EWCs has not been fulfilled at a satisfactory level. However, the fact that EWCs represent 17.89 million employees in the European Union proves that these institutions are an important feature of the landscape of European industrial relations. Employees represented in EWCs are employed mainly in the metal industry (5.79 million), services (5.09 million) and the chemical industry (2.61 million) (Pas and Jagodziński, 2011). The degree of internationalization determines the number of countries in which a given multinational company with EWC has its subsidiaries. The ETUI data of December 2014 indicate that EWCs are much more prevalent in large multinational companies. Exactly 51% of all active EWCs function in corporations operating in more than 10 countries. In smaller corporations that have their subsidiaries in between 5 and 10 countries, only 27% of all EWCs operate.

With the influx of foreign direct investment and the creation of subsidiaries of multinational enterprises in the countries of Central and Eastern Europe (CEE), EWCs also appeared in the area of industrial relations in these countries. During the economic transformation, Poland received the largest inflows of foreign direct investment among the CEE countries. In the period of 1991-2005, Poland attracted a total of 93,329 million in the form of foreign investment. Thus, Poland was ahead of, among others, Hungary and the Czech Republic, which obtained $ 61,221 million and $ 59,459 million respectively in the form of FDI in that period (Pilarska, 2006). Also, Polish trade unions were leaders among trade unions in the countries of Central and Eastern Europe in terms of EWCs. Even before Poland's accession to the EU, they played an active role in the negotiations on the creation or renewal of EWC agreements. The first Polish employee representatives started to participate in EWC meetings quite early as in 1995 they were invited as observers to the EWC meetings in the French Thomson concern and the German Benckiser concern (Skorupinska, 2011). According to the data presented by Kerckhofs (2006), in 2005 there were 425 multinational companies with EWCs which had their subsidiaries also in Poland. However, it is estimated that currently Polish representatives are members of only approx. 200 EWCs. There has been also no EWC created in Poland so far, although some companies that have their registered offices in this country are subject to the provisions of the Directive. EWCs have become, however, a factor exerting a considerable influence on industrial relations in the new Member States, including Poland. They improve labor relations and corporate culture and strengthen the legitimacy of institutionalized representation of employees in these countries, both in the form of trade unions and works councils (Voss, 2006a).

In recent years, information and consultation powers of EWCs under the Directive have been extended to the area of signing transnational company agreements. According to Adamczyk and Surdykowska (2012), these agreements are an attempt on the part of trade unions to respond to challenges of globalization and the growing role of multinational companies. These agreements are concluded on a voluntary basis by the boards of multinational corporations with European Works Councils or the international/European trade union organization. They positively affect employment standards and respect for fundamental social rights in the national subsidiaries of these corporations. The agreements cover a wide range of topics that can be grouped according to the following headings (Müller et al. 2013): a) transnational restructuring programs (e.g. Ford, General Motors Europe, Alstom, Schneider Electric); b) monetary issues (e.g. EADS, Daimler); c) human resources development and planning (e.g. ABB, Thales); d) health and safety data protection (e.g. Daimler Chrysler, Arcelor); e) in-house industrial relations agreements (e.g. Volkswagen); f) basic minimum social and ethical standards (e.g. General Motors Europe, Thyssen Krupp Group).
Another new institution created as a result of globalization processes is the European Company. Its purpose was to facilitate business activity of entrepreneurs who operate across borders within the European Union and to provide them with the opportunity of conducting economic activity within a single legal form. In addition, the establishment of the SE was to lead to cross-border cooperation, reduction of costs as well as legal and tax problems related to business operations. In accordance with Council Regulation (EC) No 2157/2001 of 8 October 2001 on the statute for a European Company (SE) (2001, Art. 2), the European Company can be established in four ways: by merging joint-stock companies, by establishing a holding SE, by setting up a subsidiary SE and by the transformation of a joint stock company that has a subsidiary. The issue of the involvement of employees in the SE carried out through the mechanism of information, consultation and participation, through which employees’ representatives have an impact on the decisions taken in the company, is very important in the process of establishing the company. The SE may not be registered unless an agreement has been concluded on the involvement of employees. In addition, in accordance with Directive 2001/86, the scope of this involvement must be at least the same as in the countries in which the entities form a European Company.

According to data of the European Trade Union Institute of March 2014 (European Company Database, 2014), 2125 SEs were established in the EU (mostly in the financial sector, commerce and the metal industry). However, only 289 of these were identified as the so called “normal SEs”, i.e. conducting real economic activity and employing more than five employees. The geographical distribution of these companies is very uneven as almost half of normal companies (138) operate in Germany and 70% of the total number of SEs are headquartered in the Czech Republic. In addition to these two countries, Slovakia, the United Kingdom, the Netherlands and Luxembourg have - as home countries - a significant SE share (Figure 1). The SE has not met with approval in the Polish market, despite many practical advantages of this form of business activity. The European Company has the possibility of relocating to another Member State without having to liquidate the company, has the ability to choose its corporate governance model (one-tier or two-tier) and to conduct a more flexible business activity in the EU. The major advantage of this form of activity is also its transnational nature. However, as shown in Figure 1, only two European Companies that employ not more than five employees were registered in Poland by March 2014.

![Figure 1. European companies registered in EU](http://ecdb.worker-participation.eu)
3. Dissemination of Forms of Direct and Financial Participation in Polish Companies

As a result of globalization of the world economy, significant changes occur affecting to a great extent the area of business management. These include activation and pursuit of internationalization of SMEs’ activities through the use of innovative activities and high adaptability, the need for empowerment of employees by providing opportunities for their professional development and participation in the benefits associated with the development of the company and an increase in expectations and aspirations of better-educated workers (Szymanska, 2012). This means that modern companies should make management processes more flexible by introducing management techniques associated with direct employee participation. These forms of participation allow employees to submit their proposals of solutions, thus involving employees in the decision-making process, allowing fuller use of their knowledge and skills in their workplace. According to Borkowska (2004), the need to meet the challenges of globalization requires therefore increased empowerment of individuals, in particular highly qualified ones, which implies not only the development of direct participation and teamwork but also the development of financial participation.

On the other hand, multinational companies are interested in the implementation of forms of direct and financial participation in their foreign subsidiaries also due to the benefits that may arise from this participation for these businesses. One of the results of direct participation is a manifestation of entrepreneurship and creativity of employees, which leads to the improvement of the economic performance of the company and raising its competitiveness (Rudolf and Skorupinska, 2012). The forms of financial participation, on the other hand, i.e. profit-sharing or employee share ownership, contribute to an increase in employees’ motivation and commitment, resulting in the improvement of the functioning of the entire company. Poutsma (2001) distinguishes four categories of reasons for introducing these forms of participation in enterprises: increasing productivity, enhancing flexibility of remuneration, gaining tax advantages and providing benefits to employees, which results in their greater integration with the company.

![Figure 2. The incidence of direct participation by country](source: EPOC (1997); Rudolf and Skorupinska (2012))
The research carried out in 2011 on a sample of 254 Polish companies indicated that the forms of direct participation were used in almost 80% of the analyzed organizations. The study also showed that the share of organizations making use of this form of participation was significantly higher in companies partly or wholly subject to another foreign company. This confirms the hypothesis of multinational companies as organizations that are leaders in the introduction of direct participation. It should be noted, however, that in the aforementioned study, the number of companies owned by foreign companies was relatively small. The result of 80% obtained for enterprises in Poland was slightly lower but similar to the average obtained for the 10 old EU countries in a study conducted in 1996-1997 by the European Foundation for the Improvement of Living and Working Conditions. In the study conducted by the Foundation, the Netherlands and Sweden proved to be the countries with the highest share of organizations practicing participation. Portugal and Spain were at the other extreme with results well below the European average (Figure 2). It should be noted, however, that there is a 15-year gap between the compared studies and that was a period of dynamic growth of direct participation in Western countries (Rudolf and Skorupinska, 2012).

The increase in interest in direct participation was accompanied by wider support at the EU level for the development of forms of financial participation. In 1992 the EU Council of Ministers issued a document (Official Journal of the European Communities, 1992), in which the Council encouraged the EU Member States to familiarize themselves with benefits of widespread use of financial participation. The Council also invited the Member States to take measures to promote the implementation of programs of financial participation either through tax benefits for entrepreneurs or through the provision of an adequate legal framework for the introduction of these forms in enterprises. In Poland, financial participation occurs to a limited extent, particularly in relation to the forms of this participation commonly used in Western Europe. Of the 645 Polish companies listed on the Warsaw Stock Exchange, only less than 19% implemented some form of participation according to the research conducted in 2011 by Kozlowski (2013). In addition, the majority of these programs are geared mainly towards the participation of management, which differs from the general formula of financial participation based on wide access of another category of employees to these programs.

4. The Impact of EU Regulations on the Development of Indirect Participation in Poland

The implementation of EU directives is essential for the development of institutional forms of indirect participation in the countries of Central and Eastern Europe. The implementation of Directive 2002/14/EC resulted in the creation of a new (apart from trade unions) representation of employees in the form of works councils in the area of industrial relations in these countries. The Directive obliges the Member States to establish councils in enterprises employing at least 50 employees or businesses with at least 20 employees. Selecting the subjective scope of application of the Directive is left to the Member States. The objective scope of the Directive covers information (data transfer between the employer and employees’ representatives) and consultation (exchange of views and establishment of dialogue between employees’ representatives and the employer).

Attempts to establish works councils in Poland were made in the 1990's but failed due to unfavorable climate for employee participation. Procedures for informing and consulting employees modeled on works councils sometimes appeared only in foreign-owned companies. For example, minimum standards regarding information of employees were applied by management in Polish subsidiary of Sanofi-Avensis. Well-established mechanisms for information were also practiced in Polish plants of Volkswagen and KBC. On the other hand, consultation and employee involvement in restructuring issues were rare in these subsidiaries of multinational companies (Voss, 2006b). The widespread implementation of works councils in the Polish system of industrial relations occurred as late as in 2006 along with the enactment of the Act on Employee Information and Consultation. Even then, there were disagreements among social partners on the content of the law and functions that this new form of representation of employees should fulfill. The reluctance of employers was mainly due to concerns about the increasing operational costs for companies in connection with newly created
works councils. The trade unions feared competition from those institutions and the loss of trade union monopoly on employee participation. Those differences caused more than one year delay in the implementation of Directive 2002/14/EC in Poland.

Works councils in Poland are created in enterprises employing at least 50 people. Initially there were two ways to establish councils, i.e. on the initiative of trade unions (if they existed in the company) and at the request of at least 10% of the workforce in general elections. The decision of the Constitutional Tribunal led to the amendment of the Act on works councils and commencing 2009 trade union-based procedures for establishing those institutions were completely eliminated. That decision contributed significantly to reducing the range of councils in Polish enterprises since trade unions were the main driving force behind the creation of those institutions. According to data of the Ministry of Labor and Social Policy of December 2007, 80% of all the then existing councils were created on the initiative of trade unions. After initial concerns, the unions started to perceive councils as entities providing a wider scope of information, enabling the strengthening of trade unions' influence in the workplace (Skorupinska, 2010). However, the scope of works councils in Polish enterprises from the outset of their creation was not large. According to the Ministry of Labor and Social Policy, at the end of 2006 councils functioned in 1,903 Polish enterprises, which accounted for only 9% of all entities that meet the criteria of the Act. At the end of 2008 that number increased to 2,906 councils. However, in subsequent years, it turned out that most of those institutions would end their operations within the first four-year term. In the middle of May 2014 the number of functioning councils was reduced to approx. 640 such institutions (Figure 3).

![Figure 3. The number of works councils in Poland](image)

**Source:** The author's own compilation based on the Ministry of Labor and Social Policy database (as at 15th May 2014).

**Notes:** *For 2014, the data refer to the number of works councils that functioned at the 15th May 2014 (for the other years this is the number of works councils as at 31st December).*

The enactment of Directive 2002/14/EC and the need for its implementation led to the unification of forms of indirect participation in the EU. However, the representation of employees in the form of works councils was not fully adopted in Polish industrial relations. In addition to the amendment of the Act on Employee Information and Consultation, another reason for that situation was the lack of confidence in those new participatory institutions. In accordance with the favorable conjunctures model of industrial democracy (Poole et al. 2001), actors in industrial relations (employers, employees and the state) have a significant impact on the implementation
and development of a given form of participation in the system of industrial relations in different countries. The distribution of power between the three parties and their strategic choices are an important variable determining the proliferation or not of a given form of participation. In Poland, employees are not interested in creating works councils mainly due to the limited scope of competence of these institutions. The reluctant attitude of trade unions towards councils has significantly changed over time but after the elimination of the trade union-based form of establishing councils, the motivation of trade unions to create these institutions has also weakened. Employers were not and are still not in favor of councils as they do not see any significant benefits for the company resulting from the existence of these institutions.

5. Conclusions

Processes of globalization have contributed to the acceleration of the development of forms of employee participation in Poland and have caused significant changes in the system of industrial relations of the country. Multinational companies, which along with the opening of their subsidiaries in Poland introduced their patterns of human resource management, have played a major role in the dissemination of direct and financial participation in Polish enterprises.

According to Gardawski (2007), these companies did not encounter any strong restrictions that they had to adhere to, which was caused by the so-called weak national effect in industrial relations. However, the fact whether the company invests in human capital by introducing different participatory solutions depends on the style of governance and the internal structure of the company. In addition, it is easier to transfer patterns of organizational culture in foreign subsidiaries created from scratch than those purchased by these companies.

The development of employee participation also depends largely on the attitude of social partners to these forms of participation. Forms of direct participation are generally supported by employers that perceive them as a great potential to be used, particularly in the face of increasing competition and the need for innovativeness of companies. In Poland, employers only relatively recently have started to see the benefits of using these forms of participation and the process of convincing them is slow. As a result, the extent of occurrence of these new forms of work organizations in Polish companies is still smaller than in the old EU countries. The situation is even worse in relation to forms of financial participation. The state could play an important role in promoting this participation in Poland by introducing appropriate legal and tax incentives for businesses as it happened in other European countries (France, the United Kingdom, Germany, Belgium). It should be noted, however, that a certain form of participation was heavily promoted by the state in the period of economic transformation in Poland. However, its origins and functions do not meet the classic definition of financial participation. Employee share ownership, introduced by privatization laws in 1990 and 1996, did not contribute to the improvement of the performance of businesses but was treated by employees as a kind of bonus for the approval of the privatization.

Globalization processes have had a fundamental impact on the establishment of a new form of indirect participation in the form of European Works Councils, which arrived in Poland due to the expansion of multinational companies. The implementation of the Directive on EWCs in Poland in April 2002 only reinforced and legally regulated the functioning of this institution in Polish industrial relations as the first representatives of employees from this country appeared in EWCs as early as in 1995. Also in the case of this form of participation, the support of one of the social partners was invaluable. According to the research carried out by Skorupinska (2006), the initiative to include Polish representatives in the work of EWCs in almost half of the cases analyzed lied with Polish trade unions. Participation in EWCs may contribute to the transformation of Polish industrial relations by the improvement in communication and strengthening already existing forms of employee participation.

By introducing works councils into enterprises in the countries of Central and Eastern Europe, Directive 2002/14/EC led to the unification of employee representation in workplaces across the EU. This process of Europeanization of industrial relations generally caused the transformation of the exclusive union representation (single channel) found in the CEE into the dual system of employee representation (works councils and trade unions). In the case of
Poland, promoting this form of employee participation met with some resistance from social partners. Although trade unions have accepted over time works councils, the scope and importance of this form of participation in Polish enterprises is low. This situation is affected by certain traditions and socio-ideological determinants present in this country.

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