

Works council effectiveness: Determinants and outcomes

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Works council effectiveness: Determinants and outcomes

Effectiviteit van ondernemingsraden: Determinanten en uitkomsten
(met een samenvatting in het Nederlands)

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Co-promotor: Dr. A. van den Berg

Voor mijn ouders

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During the early stages of my PhD, being a young and enthusiastic PhD candidate, I received the PhD survival guide, written by professor Bovens from the Utrecht University School of Governance. This guide contains tips and tricks on how to make the merciless life of PhD candidates, consisting of a long period of social isolation, as bearable as possible. Next to guidance on how to deal with setbacks and (or due to) supervisors, one of the important points of advice was to make sure to have other areas in your life where you can experience a sense of self-esteem, pleasure and self respect. I decided to take this advice to heart and enjoy my years as a PhD candidate to the fullest. The priority was to bring the PhD project to a successful ending, of which you have the result in your hands. However, that priority would not have been fulfilled without the support of many of you, either guiding me in the process, or protecting me from social isolation.

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Chapter 1

Introduction

Employee participation has received increasing attention over the last decades. It can be achieved, through different forms, such as individual participation, profit-sharing schemes, and formal participation in decision-making. In this thesis, we study the latter form, namely employee participation through formal representation in works councils. We study works councils in the Netherlands, and the influence they can have in organizations. Where some studies state that works councils are becoming less important, and are diminishing in numbers (Addison et al., 2010), Dutch studies reveal that works councils are perceived to be increasingly influential, by works councilors as well as directors (Van het Kaar and Looise, 1999; Karel et al., 2010).

Works councils have been studied extensively in Germany, where the industrial relations system is perceived as an example case for other countries (Frege, 2002). In Germany, works councils are only found in 13 per cent of the eligible establishments (Addison, 2009). However, in the Netherlands, according to the latest available figures (2008), around 70 per cent of Dutch organizations have a works council (Visee and Mevissen, 2009), but the economic effects of works councils have hardly been studied. Recently, the economic effects of Dutch works councils have been receiving more academic attention (e.g., Van den Berg et al., 2011a; Wigboldus, 2011).

In Germany, works councils are installed upon employee initiative and not on the basis of legal size requirements, such as in the Netherlands, which gives them a different character, and also might explain their high incidence in the Netherlands. Therefore, we state that in the Netherlands, works councils are a much more integrated part of the corporate governance system than they are in Germany. However, the threshold at which organizations can be requested or are obliged to install a works council, differs between both countries; German organizations can be requested to

do this from five employees onwards, Dutch organizations need to install a council from 50 employees onwards. In both countries, works council presence increases with size, but the lower percentage for Germany (in eligible organizations) is partly due to the lower incidence of works councils in smaller organizations. In organizations that employ more than 500 employees, 91 per cent of organizations have a works council. In the Netherlands, in organizations above 200 employees, 95 per cent have a works council. Organizations that are smaller than 50 employees can install a works council voluntarily.

The Works Council Act states that Dutch works councils should be elected every three years (Albers and Hofstee, 2011). This occurs through so-called lists of candidates, which are submitted by unions or (groups of) persons in the organization who decide to submit a list of candidates. Unions are usually granted priority in submitting lists of candidates. In the case where someone wants to hand in a non-union list of candidates, a certain number of signatures of people employed by the organization is necessary to express support. Next to the elected members, the organization can hire an administrative secretary, who is hired as an employee, but serves the works council. An administrative secretary is not required, but can be requested by the works council if they do not have enough time to carry out all tasks themselves.

Dutch works councils have several far-reaching legal rights, which are based on the Works Council Act (Albers and Hofstee, 2011). The Works Council Act dates back to 1950, and gave employee representatives the right to information and advice on a small range of topics (Nijhoff and Van den Berg, 2012). The director was appointed as chair of the works council. Over the years, the Works Council Act has been adjusted several times leading to the current form, in which the director is no longer chair of the works council, and employee representatives have to be elected to the council when organizations employ 50 or more employees.

Dutch works councils have the right to be informed on a wide range of organizational matters (Van het Kaar, 2008). The director needs to provide all information that is necessary for the works council to fulfill its task. Furthermore, Dutch works councils have the right to give advice to management on a wide range of topics. These topics do not necessarily have to be directly related to employee outcomes. Management needs to ask for advice from the works council, and if the council advises negatively and management disagrees with this advice, management has to wait a month before it can carry out its decision. The third right of works councils is the right of initiative; works councils can come up with ideas for organizational improvement, and present these to management. The fourth and most far-reaching right is the right of codetermination. This means that

works councils have to agree on the decision made by management before this decision can be implemented. This right applies to social matters in the organization. Dutch works councils should use these rights not only in the interest of the employees, but also in the interest of the organization as a whole. This is referred to as the dual task of the works council.

1.1 Theory on works councils

Most studies on works councils and the effect they can have on organizational outcomes are based on the theory of Freeman and Lazear (1995). They argue that works councils can have positive effects on organizational outcomes by means of their legal rights. First, the information rights can lead to higher trust between management and employees. Works councils can test information from management, and assess its credibility. If management's explanations on, for example, the need to reorganize, are credible, works councils can explain management's decisions on the workforce and create acceptance for them. In this way, works councils can contribute to higher productivity, by preventing employees from becoming demotivated.

Second, by means of their advice rights, works councils can provide new solutions, by adding new information from the workforce. The works council is informed via both management and workforce, and this may lead to new solutions (Addison, 2009). The third way in which works councils can contribute to organizational outcomes, according to Freeman and Lazear (1995), is by making employees' goals more aligned with those of the organization by means of the codetermination rights of works councils. If employees gain more control over their labor conditions and work, and are less worried about job security, they might become more motivated to work in the interest of the organization, instead of for their personal interest.

These theoretical notions relate to institutional theories, such as transaction costs theory (Williamson, 1985) and contract theories (e.g., Groenewegen et al., 2010). Van den Berg (2004) explains this in more detail by describing the role of works councils in diminishing transaction costs that occur as a result of incomplete contracts. A labor contract between an employer and an employee is an incomplete contract, because not all contingencies of the relationship can be specified in the contract. This is also coined the "zone of acceptance" (e.g., Marsden and Cañibano, 2010).

The contracts are characterized by asymmetric information leading to moral hazard behavior; if work is hard to monitor by managers, employees might shirk, and this will not be easily visible to management. Further-

more, managers might also concentrate on their own goals, and therefore not share all information with employees. A second cause of moral hazard behavior is asset specificity, which might lead to a hold-up problem. This means that employees are less willing to invest in organization-specific assets, such as training, because they cannot use it in a different organization. Giving employees more control over their work might diminish this hold-up risk, and lead employees to work in the interest of the organization as a whole (Van den Berg, 2004; Addison, 2009).

In terms of labor turnover, works councils are believed to play a role in reducing quits because they have the option to raise awareness for work-floor problems. This is based on the exit-voice theory of Hirschman (1970), which states that there are two options to express discontent; exit or voice. This theory has been applied to unions, using the argument that employees in unsatisfactory situations can exit an organization, or can raise their voice (Freeman and Medoff, 1984). The latter might be difficult for an individual employee, because of a public good problem that may occur: if one employee has to fight for the good of all other employees (for example about better labor conditions), this benefits all employees, but they do not all have to contribute. For the individual employee, it might lead to reputation damage. The works council, following the argument made by Freeman and Medoff (1984) on unions, might play a role here, because they can decrease the individual risk by means of using collective voice.

Freeman and Lazear (1995) argue that works councils may also have negative effects in the sense that they might gain too much power, and next to stimulating higher productivity, also request higher wages. Thus, on the one hand they can enlarge the pie, but on the other hand, they can also request a larger share of the pie. Van den Berg (2004) argues that in the Dutch case, this is not a credible threat, because works councils do not have the right to negotiate wages. Trade unions have the primary role to negotiate on wages and working hours; works councils cannot renegotiate the decisions which have been decided upon in the collective labor agreements. Furthermore, the dual task of Dutch works councils also implies that they should not behave opportunistically towards management, in striving for their or employees' goals.

Other costs associated with works councils are described by Kaufman and Levine (2000), who divide works council costs into direct and indirect costs, with both having possible negative effects on organizational outcomes. Direct costs can be found in the training costs of the works council members, their lost working hours, and the expenses of external consultation. Indirect costs can have a negative effect on organizational outcomes, due to the possible delay of decision-making by the works council (deliberately or not), or works councils' lack of know-how about participating in

strategic decision-making. In the Dutch case, going to court can add high costs to this (Van den Berg et al., 2011b).

1.2 Earlier research

As stated above, most research has been done on the German case, although recently Dutch works councils have gained more attention (e.g., Van den Berg et al., 2011a,b). The German research concerning the economic effects of works council presence on organizational outcomes has been emerging since the 1980s and can be described by three phases, which have been described in detail by Addison (2009), and which we will briefly summarize below.

The first phase is characterized by a negative view on works councils. Works councils are perceived as a constraint that needs to be dealt with by management. Depending on the manager's competence, works councils can affect productivity. Where managers are competent, a works council will decrease productivity, because it will only incur costs with no benefits. Opposed to that, where managers are incompetent, the works council can compensate for this, and productivity can increase (FitzRoy and Kraft, 1987). This phase of research involved limited samples, in size as well as representativeness.

The second phase built on that, and developed a more positive view. This positive view is ascribed to new data availability, with more observations and a wider range of organizations, making the data more representative. Also, the maturing of the works council might have added to this positive view, as has been described by Kotthoff (1994) for Germany, but also by Van het Kaar and Looise (1999) for the Netherlands. In this phase, more attention was paid to new themes, such as labor turnover as an outcome variable, and interactions with union density, collective agreements, and high-performance work practices. The view on management competence changed: competent managers were now believed to be more able to communicate and work constructively with works councils.

The third and last phase, which is now still developing, is bringing more nuance to the second view. Again, data have improved, enabling researchers to apply more sophisticated techniques. These data also make it possible to investigate other relations, such as different perceptions of management and works councilors, due to matched data. One conclusion from this third phase is that the positive effects that were revealed in the second phase, were much exaggerated. For example, the high increase found in productivity, has been refined, due to differences between small and large organizations (Addison et al., 2006). The conclusion from

this former research suggests that works council's impact in organizations may lead to positive results. However, results are still mixed, and more research is needed.

1.3 The current study

On the one hand, Addison (2009) states that there is more need for empirical research. This research should focus on the economic outcomes of works council presence in organizations. On the other hand, he also urges more insights into the role of works councils in organizations, by looking at the quality of the council, and the labor relations at the plant level. The latter has also been argued before by Kotthoff (1994) and Frege (2002), who urge more research on the social context and social order in which works councils operate, because the legal rights alone are not enough to make a works council effective.

This thesis tries to meet both demands. We take a multidisciplinary approach, using economic as well as behavioral theories to gradually open the *black box* of works councils. Figure 1.1 shows the overview of the different chapters.

First, we aim to gather more empirical evidence for the effect of works council presence on organizational outcomes in Dutch organizations. In

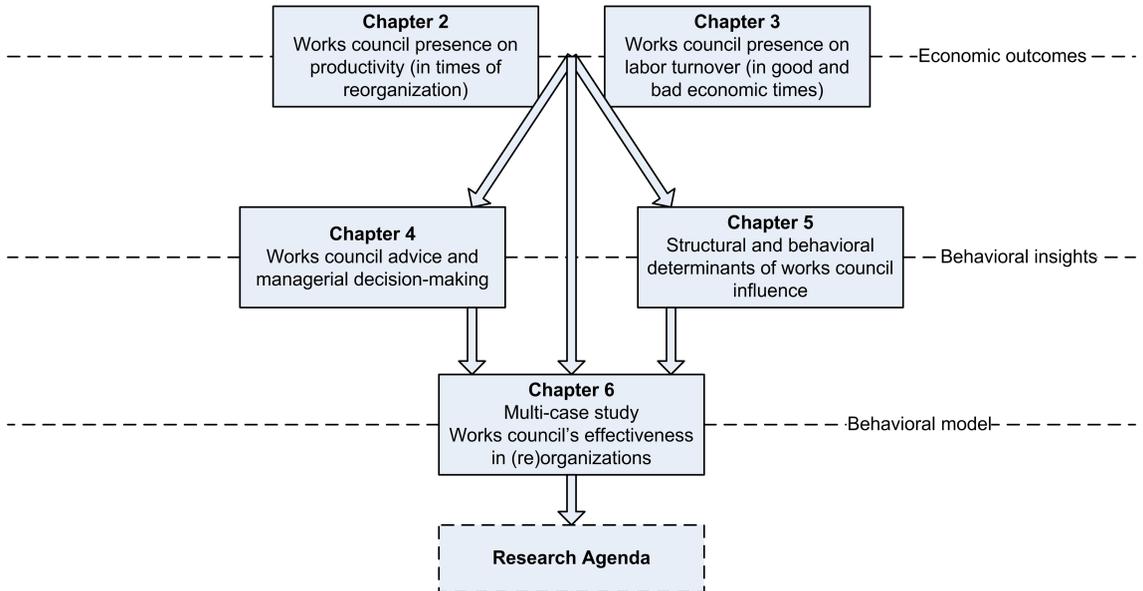


Figure 1.1: An integrative overview of the chapters

Chapter 2, we focus on productivity as our outcome variable of interest. Most research has shown positive effects of works council presence on productivity (Addison, 2009). Next to testing the direct effect, we argue that works councils may well take up different roles depending on the economic circumstances in which they have to operate. We therefore take into account the effect of reorganizations on the works council productivity relationship. We use data from the Labor Demand Panel of the SCP (Sociaal en Cultureel Planbureau (the Netherlands Institute for Social Research)), with information on productivity, works council presence and other labor-related variables, over a large sample of organizations. We perform OLS analyses to answer our research question.

Research question 1. *Can works councils help to enhance the effectiveness of reorganizations, and in doing so, contribute to increasing organizational productivity?*

Our second variable of interest is labor turnover. Most German studies find a subduing effect of works council presence on labor turnover (e.g., Frick, 1996; Addison et al., 2001). In Chapter 3, we argue that the effect of works council presence on labor turnover depends on the economic circumstances. In good economic circumstances, the possibilities of finding a new job are higher, and works councils might be less protective of employee interests in these times. This also reflects the dual task of the works council, in which works councils have to represent employees' as well as organizational interests. We argue that in good economic times the balance of the dual task might shift to representing organizational interests, and in bad economic times towards representing employee interests. We test our hypotheses by performing OLS regression analyses on hires, and Tobit analyses on voluntary and involuntary quits, using the same dataset as in Chapter 2. We aim to answer the following research question.

Research question 2. *Do works councils have an effect on labor turnover (departures and hires) and do these effects differ under different economic circumstances?*

The second aim of this thesis is to gain more insights into the determinants of works council's influence; how can works councils influence managerial decision-making? Because of the ambiguity as to the outcomes of works council presence, as presented above in the three research phases described by Addison (2009), we cannot draw definitive conclusions on works council impact, based on the variable of works council presence alone. We should thus further investigate the underlying antecedents of works council functioning.

An important element in works council's performance is the attitude of management towards works councils (e.g., Jirjahn and Smith, 2006; Van den Berg et al., 2011a). In Chapter 4, we look deeper into management behavior by means of a laboratory experiment. By doing so, we seek to unravel some of the mechanisms underlying works council impact on managerial decisions.

Research question 3. *Do managers take into account the advice they receive from works councils and which fundamental mechanisms explain whether they follow this advice?*

In Chapter 5, we focus on individual works council members. It is important to look into the characteristics of works council members, because in the end, the individual members make up the team, and therefore influence the performance of the group as a whole. We look into the structural and behavioral determinants of influence, namely the social network position that works council members are in, and the behavioral tactics they use. By adding these concepts, which stem from sociological and psychological research, we hope to demonstrate their importance for industrial relations research.

We study our research question with data gathered in a Dutch organization employing 66 employees. All employees have filled out a questionnaire, asking them about their relations with the other people in the organization, and other characteristics, such as the influence tactics they use, and also demographic characteristics. By means of MRQAP (Multiple Regression Quadratic Assignment Procedure) analysis, we try to disentangle works council influence.

Research question 4. *How influential are works council members in organizations, compared to the other organizational members, and how do network position and strategic behavior of works council members affect their influence?*

Our last study is based on the findings of Chapters 2 to 5. In this chapter (Chapter 6), we use qualitative case study research to gain more insights into works council effectiveness, and hope to combine our research findings into an integrative model of Dutch works council effectiveness. We select three cases that went through reorganizations, and operate in the specific context of a multinational enterprise (MNE).

Research question 5. *How does works council influence emerge? How do works councils influence organizational outcomes, and is this different in times of reorganization?*

Chapters 2 and 3 build on the research on organizational outcomes, and the effect of works council presence on different performance indicators. Chapters 4 and 5 dig deeper into the determinants of works council

effectiveness and aim to open the *black box* of works councils. Chapter 6 concludes by bringing the studies together and developing an integrative model. The chapters are followed by a general interpretation of the results, and offering suggestions for a research agenda. Chapters 2 to 5 have been developed as independent research papers and can therefore be perceived as stand-alone chapters. This means the reader can choose to read those chapters separately, without having to read the information in the other chapters. Chapter 6 is based on the preceding chapters, and therefore is not a stand-alone chapter. If the reader wishes to read the whole thesis, we emphasize that the chapters may contain some overlap, particularly in the introductory sections.

Chapter 2

The impact of works council presence on productivity in times of reorganization^{*}

2.1 Introduction

Since the 1990s, economists have conducted research into the (likely) effects of codetermination. Because worker participation is predominantly a European phenomenon, most studies focus on the impact of works councils. Virtually all theoretical studies are influenced by the seminal work by Freeman and Lazear (1995), who demonstrate in an abstract way that the legal rights of works councils can improve communication and enhance trust, thereby contributing to organizational performance. In the corporate governance literature, which is still dominated by the Anglo-Saxon perspective, hardly any attention is given to the potentially beneficial role of worker codetermination. A notable exception is the edited work by Blair and Roe (1999: 1-2), who argue that "human capital is often as important as physical capital in creating value", followed by a range of arguments as to why employee involvement can improve corporate decision-making. In the same tradition, Goodijk (2000) is a strong supporter of a stakeholder model, in which there is ample room for worker codetermination.

^{*}This chapter draws on the book chapter "The impact of works councils on productivity in times of reorganization" (2011: pp.160-191), co-authored with Arjen van Witteloostuijn, Annette van den Berg, and Yolanda Grift, and published in *The Nature of the New Firm: Beyond the Boundaries of Organizations and Institutions*, edited by K. J. McCarthy, M. Fiolet, and W. Dolfsma. Earlier versions of this paper have been presented at the IAFEP (International Association for the Economics of Participation) conference 2010 (Paris) and the PREBEM (PhD Researchers in Business Economics and Management) conference 2010 (Breukelen).

Previous empirical research relating codetermination to organizational performance generated mixed evidence. Addison et al. (2001) find positive effects on productivity, but negative effects on profitability. Wever (1994) compares five cases and reports that, overall, works councils can make effective strategic choices and can serve management interests. Van den Berg et al. (2011a) reveal that a positive attitude of management toward the works council is associated with higher organizational performance. Hence, even though the results are mixed, implying lack of general consensus regarding the positive or negative effects of works councils in practice, quite a few studies provide evidence as to the importance of works councils for organizational performance in several areas. This indicates a possible role for works councils in enhancing productivity.

Employee participation and its effects on productivity have been widely studied over the past decades (e.g., Bryson et al., 2006; Zwick, 2004). Most studies indicate a positive effect of participation on productivity. However, different types of participation can lead to different outcomes (Cotton et al., 1988). In this chapter, we focus on works councils as a form of employee participation, studying the case of the Netherlands. Several studies find positive effects of works council presence on productivity (Addison, 2009), but almost all of them relate to Germany.

We argue that this issue is especially important in times of reorganization, because such times typically provide the conditions in which the works council can exert its rights to the fullest, potentially, by seeking to represent the interests of both the employees and the organization as a whole. Van den Berg et al. (2011b) argue that works councils may work well in good times, but are put to the test in bad times. Our aim is to gain insights into the role of works councils in times of reorganization to see whether or not works councils are able to serve the interests of both employees and the organization as a whole in such circumstances. Specifically, the central question in this study is:

Research question 1. *Can works councils help to enhance the effectiveness of reorganizations and, in doing so, contribute to increasing organizational productivity?*

It is important to look into this question because the evidence as to the effect of codetermination on organizational performance is still mixed, as argued above. Hence, further work in this area is badly needed, as this is instrumental in pinning down the conditions under which works councils can function optimally. Here, reorganizations offer a particularly demanding context. On the one hand, these might be necessary to safeguard the successful continuation of organizations. On the other hand, reorganizations tend to threaten the position of (a subset of) the employees. If we

are able to gain more insights into the role of works councils in reorganizations, beneficial or harmful for employees and/or the organization as a whole, we can formulate practical implications for organizations going through or planning reorganizations.

Of course, research on the effect of reorganizations on organizational performance has been done before extensively (Janod and Saint-Martin, 2004), as has research on the direct relationship between codetermination and organizational performance (Addison, 2009). However, the role of codetermination in reorganizations has hardly been studied, apart from in a few case studies such as the one by Haipeter (2006). Furthermore, most research on the effect of works councils has been done on Germany (e.g., Addison, 2009). With the current study, we aim to contribute to the literature about works councils in two ways: 1) we add insights on the role of *Dutch* works councils on productivity; and 2) we take into account the context of reorganizations.

This chapter is organized as follows. The next section presents the conceptual model and develops three hypotheses, based on prior work. Subsequently, the data and the method used to test the hypotheses are discussed, followed by a report of the empirical results. The final section is a discussion of our findings.

2.2 Theory

Codetermination is defined as the right of employees to participate in the decision-making processes of an organization, for example through works councils. Codetermination can take different forms in organizations, mostly depending on the culture of and legal arrangements in the country at hand. We study the effect of codetermination by means of data on Dutch works councils. Works councils in the Netherlands (and in Germany) have a large number of far-reaching legal rights compared to other countries (Van den Berg et al., 2011a). Works councils have the right to be informed on all relevant matters, in order to carry out their task optimally. Furthermore, they have the right to give advice on a large number of strategic decisions, irrespective of whether the interests of the employees are at stake (Van het Kaar, 2008). Next to that, they have the right of initiative; to come up with ideas on improvement about organizational matters.

The most far-reaching power is the right of consent, in which the agreement of the works council on social matters is necessary for the management to proceed with a decision (Van den Berg, 2004). Of importance for the Dutch situation is the dual task of the works council, indicating that

they have to operate not only in the interests of the employees, but also in the interest of the organization as a whole. The task of negotiating on terms of employment is performed by the trade unions by means of collective labor agreements. In this way, conflicts of interest for the works council should not arise in this domain, and the works council should be able to fulfill its dual task (Van den Berg, 2004).

We are interested in two possible effects of works council presence: a direct effect, and a moderating effect on the relation between reorganization and productivity.

2.2.1 The direct effect of codetermination

The role of codetermination can be perceived in the light of institutional theory. Institutions are "systems of hierarchical, man-made rules that structure behavior and social interaction" (Groenewegen et al., 2010: 25). A works council can be perceived as an institution, because it is an entity that tries, by means of certain rules (laws), to structure behavior and social interaction within organizations.

On the one hand, Van den Berg (2004) argues that codetermination can lead to an efficient governance structure by diminishing agency costs caused by information asymmetry and transaction-specific investments. She states that an agency problem exists between managers and employees because employees might not perform entirely in the interest of the organization. Due to information asymmetry, workers can choose to shirk in certain situations. Furthermore, agency costs occur with transaction-specific investments. This, for example, occurs when an employee has knowledge which is only useful in the current organization, which makes it difficult for him or her to switch jobs. This is also known as a hold-up situation (Groenewegen et al., 2010).

Giving employees a say in decision-making processes may give them an incentive to behave more cooperatively, and consequently to not act opportunistically, but in the interest of the organization. Furthermore, it may give employees the feeling that they have control over their jobs, leading to less reluctance to do transaction-specific investments. Giving employees codetermination rights creates mutual trust (Van den Berg et al., 2011b), which brings employees and management closer to each other, diminishing boundaries between them. This is confirmed by the study of Kato and Morishima (2002), who find that by ensuring goal alignment between employees and management via information provision, asymmetry is reduced and loyalty is enhanced and hence, organizational productivity is improved.

On the other hand, codetermination can be perceived as costly. For

example, when managers regard codetermination as slowing down the decision-making process, the institution of a works council might not contribute to the organization's productivity. However, managers may be wrong here, as faster and one-sided decision-making does not necessarily lead to higher productivity than a (somewhat) slower but more balanced decision-making process. For example, Van den Berg et al. (2011b) find that, in good times, delaying the decision-making process might be beneficial for organizational performance, because the works council can then take time to follow a more careful procedure that leads to a more balanced decision. Similarly, Engelen (2000) argues that works councils, due to their contribution to more careful decision-making, can have a positive effect on the efficiency of their organizations.

Several studies have found positive effects of participation on productivity or more specifically, of works councils on productivity. In the 1980s, Rosenberg and Rosenstein (1980) already revealed that being involved in management activities led to higher productivity. Cotton et al. (1988) find in their literature review that different types of participation lead to different effects. For example, participation in work decisions and employee ownership show strong positive effects, but representative participation shows no effect. The latter result is due to there being relatively little research on formal representation and its performance effects. More recent research points into the direction of a positive relationship between works councils and productivity. Works council presence was, for example, found to positively impact productivity in covered industrial relations regimes (Hübler and Jirjahn, 2003), and was indicated to have a positive effect on productivity in large organizations (Addison et al., 2001; FitzRoy and Kraft, 2005).

In all, these arguments indicate that a works council may well generate a positive effect on organizational productivity.

Hypothesis 1. *Organizations with a works council are more productive than organizations without a works council.*

2.2.2 The moderating effect of codetermination

The direct effect of codetermination on organizational productivity is not unconditional, as implied by Hypothesis 1. For instance, in times of reorganization, conflicting interests may arise. On the one hand, management may want to reorganize to achieve higher performance, even though this might cost jobs or might come with wage cuts. On the other hand, employees most likely want to maintain the organization's jobs with reasonable terms of employment. Given this conflict of interest, the question is

whether works councils are able to bring both parties nearer to each other to support the reorganization on the basis of good communication and mutual trust. It is critical for both parties to emerge out of the reorganization process as well as possible. In order to do that, works councils may decide to optimally support the reorganization so as to generate the best result for management as well as employees. If it is inevitable that the reorganization has negative outcomes for employees, and this is accepted by the works council, then the role of the works council may turn into one of creating acceptance among employees (Lazear, 1998).

The right implementation of reorganizations is one of the most important aspects needed to make them work. As Sorge and Van Witteloostuijn (2004: 1221) argue: "An effective implementation of a second-best strategy produces higher performance than the inferior execution of a brilliant first-best strategy." We believe that successful implementation can be enhanced by involving employees in the reorganization process. We expect that a works council can support organizational changes in an efficient way, because the works council knows what happens on the workforce and accordingly might provide useful ideas for improvement. Next to the important role works councils may have in the implementation process of reorganizations, they can also generate an understanding amongst employees as to the possible negative consequences, which is instrumental in adequately dealing with such downsides (e.g., Wigboldus et al., 2008). This argument is supported by the findings of DiFonzo and Bordia (1999), who show that communication is extremely important in the processes of organizational change, because poor communication can lead to rumors and a negative atmosphere, which are in turn, bad for organizational productivity. If employees are being informed and if the reorganization's rationale is communicated convincingly, employees' willingness to give up some of their interests for the greater interest of the organization as a whole might well increase (Lazear, 1998; Van den Berg, 2004).

Not very surprisingly, reorganization is often interpreted as a negative and a threatening event, being associated with layoffs and changes for employees. However, reorganization can be positive as well as negative, since organizational change destructs and creates at the same time (Biggart, 1977). Negative associations with reorganizations can lead to ineffectiveness and instability. For example, Sorge and Van Witteloostuijn (2004) argue that downsizing often generates ineffective, if not downright counterproductive, results. They suggest that this might be due to ill-directed or improperly implemented reorganizing processes. Their paper mainly emphasizes why reorganizations often tend not to be effective. Positive associations with reorganizations are mostly related to labor productivity: work reorganization is argued to generate improved performance due to

more efficient use of labor and capital (Bertschek and Kaiser, 2004; Janod and Saint-Martin, 2004). Codetermination is an important aspect in this process, because a works council can fulfill the mediating role between management and employees. In the end, after all, the (remaining) employees are the people who must generate higher productivity.

Of course, there is no clear black-or-white distinction between negative and positive reorganizations, even more so because such associations depend on whose point of view is considered. We distinguish two types of reorganizations: reorganizations with layoffs and reorganizations without layoffs. Because employees' constructive involvement is believed to improve the chances of a successful reorganization process. We expect organizations that reorganize without layoffs to have a higher likelihood of an effective reorganization. As a consequence of this effectiveness, we expect these reorganizations to be beneficial for organizational productivity. This is also implied by the study of Janod and Saint-Martin (2004), who find a positive effect of reorganization on organizational performance because labor and capital are more efficiently used.

Additionally, the case study by Wigboldus et al. (2008) reveals that the increased acceptance for necessary relocations, generated by the works council, contributes to higher productivity. However, this may work out very differently in the context of reorganizations that involve layoffs. Cascio and Wynn (2004) find that the organizational performance impact of employment downsizing is negative. Zwick (2002) reports that when reorganizations endanger employees' jobs, employees show more resistance. We expect that a works council can hamper this effect by creating acceptance and trust (Lazear, 1998), and for example by playing a positive role in the negotiations of a social plan. Figure 2.1 shows the conceptual model with our expected relations.

Hypothesis 2. *The positive effect of reorganization without layoffs on productivity is reinforced when a works council is present.*

Hypothesis 3. *The negative effect of reorganization with layoffs on productivity is hampered when a works council is present.*

2.3 Methods

2.3.1 Data and measures

We make use of data from the Labor Demand Panel of the SCP (Sociaal en Cultureel Planbureau, or Netherlands Institute for Social Research). The

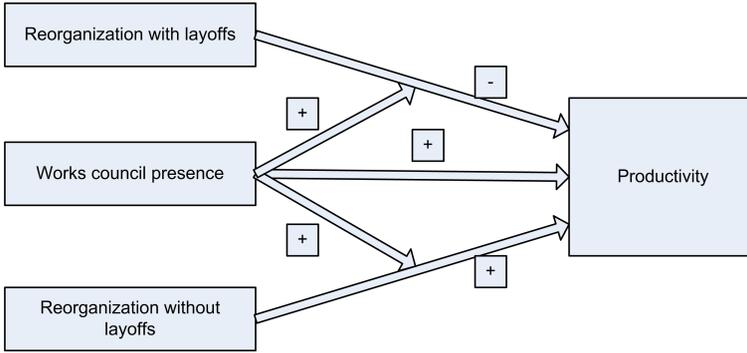


Figure 2.1: Conceptual model of the effect of works council presence on productivity

OSA (Organisatie voor Strategisch Arbeidsmarktonderzoek, or Institute for Labour Studies) has gathered data on labor in the Netherlands from 1991 onwards, interviewing samples of organizations every two years by means of a face-to-face interview and a written questionnaire. In the current study, we use two of the available waves with relevant information on works councils, namely those of 1999 and 2001. In other waves, regrettably, the organizations have not been asked whether they had a works council or not (before 1999, with the exception of 1993, and after 2001). We focus on the private sector, thus leaving out organizations from the non-profit sector, given the nature of our dependent variable: organizational performance in terms of productivity.

Table 2.1 shows the descriptive statistics for the variables used in the analyses. Tables 2.2 and 2.3 show the correlations between the variables used in the analyses. Our dependent variable is organizational performance in terms of *Productivity*. We construct this variable by dividing annual revenues by the total office hours in the same year, subsequently taking the log of this ratio to generate a less skewed distribution. We divide annual revenues by total office hours, because this gives a better productivity indicator than dividing annual revenues by the number of employees. The latter would not control for part-time versus full-time employees, so we cannot be sure about productivity per employee. With respect to the current measure, total annual office hours are aggregated over all employees, implying that their full-time or part-time status is accounted for. Our productivity variable ranges from 7.6 to 19.01 in 1999, and from 2.38 to 18.52 in 2001.

Codetermination was measured by the presence of a *Works council*. By law, organizations should have a works council when they employ 50 or

Table 2.1: Descriptive statistics 1999 and 2001

	1999				2001			
	Mean	SD	Min	Max	Mean	SD	Min	Max
<i>Dependent variable</i>								
Productivity	12.2	1.90	7.60	19.01	12.16	1.83	2.38	18.52
<i>Independent variables</i>								
Works council presence (WC)	0.35	0.48	0	1	0.40	0.49	0	1
Layoffs	0.04	0.19	0	1	0.04	0.20	0	1
Without layoffs	0.20	0.40	0	1	0.26	0.44	0	1
Layoffs*WC	0.02	0.15	0	1	0.02	0.16	0	1
Without layoffs*WC	0.12	0.33	0	1	0.17	0.38	0	1
<i>Organizational characteristics</i>								
Non-compliance	0.05	0.23	0	1	0.07	0.25	0	1
Compliance smaller than 50	0.02	0.14	0	1	0.06	0.24	0	1
Size	146	414	5	5500	182	527	5	5600
<i>Technology</i>								
Old	3.45				5.20			
Not new/Not old	30.84				46.29			
Relatively new	37.63				36.93			
Newest	28.08				11.57			
Age organization	27.81	25.44	3	102	27.57	27.03	0	102
R&D	0.40	0.49	0	1	0.50	0.50	0	1
Performance pay	0.44	0.50	0	1	0.49	0.50	0	1
Part of larger organization	0.41	0.49	0	1	0.47	0.50	0	1
<i>Industries</i>								
Industry and agriculture	39.01				39.01			
Construction	15.07				15.73			
Commercial, catering, repair	18.87				20.29			
Transport	8.98				9.10			
Business services	18.07				15.86			
<i>Workforce characteristics</i>								
Unskilled work	0.57	0.49	0	1	0.57	0.50	0	1
Shiftwork	14.64	26.79	0	100	14.56	27.43	0	100
Hierarchical levels	2.40	0.87	1	7	2.45	1.03	0	12
Percentage managers	16.25	10.60	0	83.30	15.38	10.49	0.24	83.33
<i>Staffing</i>								
Fitting	54.66				56.57			
Understaffing	38.90				37.71			
Overstaffing	6.44				5.72			
<i>Market characteristics</i>								
<i>Sensitivity to business cycle</i>								
No/hardly	18.18				27.70			
Slightly	41.77				45.77			
Yes/Very much	40.05				26.53			
<i>Model controls</i>								
D_man					0.00	0.05	0	1
D_age	0.03	0.17	0	1	0.03	0.18	0	1
WC missing	0.56	0.50	0	1				
Inverse Mills ratio	0.41	0.11	0.08	0.80	0.48	0.16	0.13	1.16
	N = 869				N = 769			

more people. Organizations with less than 50 employees can voluntarily install a works council in their organization.

Table 2.1 shows that, in 1999, 35 per cent of the organizations in the sample had a works council. In 2001, this is 40 per cent. These are quite low percentages, compared to the percentage of organizations in the Netherlands that had a works council in 2001: around 70 per cent (Van der Veen et al., 2002). This however refers to organizations that employ 50 or more employees and thus are obliged to have a works council. In our sample, we also include those organizations that employ below 50 employees. Besides, the compliance with the Works Council Act increases with size; larger organizations tend to have a higher compliance rate (Van der Veen et al., 2002).

Furthermore, the low number in 1999 can be explained by the fact that the OSA did not ask organizations below 35 employees whether they had a works council or not. The number of organizations in the sample that answered the works council question was 384; 80 per cent of these organizations had a works council. This number is higher than the 35 per cent in the variable we use. To not miss a large number of observations, we also included the observations with missing values. They received the value "0" (no works council). In the analyses, we controlled for this by including a dummy for whether the variable was missing or not (see variable *Works council missing* in Table 2.1). As can be seen, about 56 per cent of the participating organizations did not answer the question about having a works council or not. In 2001, all organizations in the sample did answer the question, but the percentage was still quite low. This might be due to the large number of small organizations in the sample; 59 per cent employed less than 50 employees.

Reorganization was measured by two dummies measuring reorganization with and without layoffs. OSA included downsizing (with and without layoffs), reassigning employees, schooling employees, and hiring more personnel as indications of reorganization. We summed up the four variables that refer to reorganization *Without layoffs* and coded them as a dummy 0-1. We compared that to reorganization with *Layoffs*, which is also a dummy variable. Reorganizations with layoffs were not very frequent in both years; only 4 per cent of the organizations coped with these kinds of reorganizations. The percentage of reorganizations without layoffs is higher: 20 per cent in 1999, and 26 per cent in 2001. These measures are based on reorganizations in the two years before the interview took place. To test the presence of interaction effects, we created two interaction dummies of works council presence (WC) with the different types of reorganization, named *Layoffs*WC* and *Without layoffs*WC*.

We chose the independent variables based on those that Addison et al.

(2001) used, and based on whether they were available in our dataset. We divided the variables into groups of characteristics. The first **organizational characteristic** is the compliance to the Works Council Act. *Non-compliance* applies to those organizations that are larger than 50 employees, but do not have a works council. *Compliance smaller than 50* applies to those organizations that are smaller than 50 employees, but do (voluntarily) have a works council. Controlling for these effects enables us to see whether organizations that do not comply with the law and organizations that have voluntarily installed works councils, act differently than the organizations that do act according to the law.

Second, we control for the *Size* of the organization (number of employees), because larger organizations tend to have higher revenues and accordingly may have higher productivity. We also take into account a squared term of size. The mean size in 1999 was 146 and in 2001 182. Next, we include the level of advancement of *Technology*, measured by four categories, ranging from "Old" (3.5 per cent) to "Newest" (28 per cent). Fourth, we control for organizational *Age*. This variable ranges from 3 to 102 in 1999 and from 0 to 102 in 2001. The maximum value is 102, with all organizations established in 1900 and before receiving the value of 102. Age is believed to have a positive effect on performance, because organizations become more reliable and accountable, as they grow older (Hannan and Freeman, 1984).

We take into account *R&D*, which is measured by the question whether the organization had R&D activities in the past year and is included as a dummy variable (no-yes). Of the organizations in 1999, 40 per cent had some R&D activities; in 2001, this was 50 per cent. We expect R&D to have a positive effect on productivity. *Performance pay* indicates whether organizations work with performance-related wages. We believe this increases productivity. In 1999, 44 per cent of organizations used a form of performance pay; in 2001, this was 49 per cent. We include a variable to indicate whether the organization was *Part of a larger organization* or not. Following Van den Berg et al. (2011b), we expect that being part of a larger organization negatively influences performance; 41 per cent of the organizations were part of a larger organization in 1999 and 47 per cent in 2001.

The last organizational characteristic we control for is *Industry*. Industries differ in characteristics and accordingly also differ in their performance, and probably in their codetermination and reorganization activities. This variable is built up out of five industries in the private sector, which are based on standard codes of the CBS (Statistics Netherlands), and is added to the analysis in the form of dummy variables. Most categories are representative for the Dutch population; "industry and agriculture" is a bit overrepresented and "commercial, catering and repair" is a bit

underrepresented in the sample.

The second group of variables relate to **workforce characteristics**. First, we add the use of *Unskilled work*. In both years, 57 per cent of organizations made use of unskilled work. Furthermore, we control for organizations using *Shiftwork*. In 1999 and 2001, around 15 per cent of organizations used shiftwork.

We included two variables to measure the degree of hierarchy in an organization: the number of *Hierarchical levels* and the *Percentage of managers* present in the organization. More hierarchical levels in organizations are associated with loss of control and are therefore considered to be harmful for performance (Williamson, 1967). Hazeu (2007) argues that the more hierarchical layers, the harder employee activities can be judged, and the higher is the chance of shirking behavior, implying lower productivity. Zwick (2004) finds that productivity might be enhanced by flattening the hierarchy, because in so doing the labor cost of redundant middle managers can be avoided. Moreover, for the functioning of works councils, hierarchy might not be beneficial. For example, the manager interviewed in the case study by Romme and Van Witteloostuijn (1999) believed that a hierarchical structure, where power and authority only flow in one direction, is not the right structure to make employee participation work. Therefore, in testing the effects of codetermination and reorganization, we control for the hierarchical structure of the organization. In 1999, the average number of hierarchical levels is 2.4 with 16 per cent managers. In 2001, these are 2.5 and 15 per cent, respectively.

The last workforce characteristic included is *Staffing*. Staffing is measured by three categories (fitting staff, understaffing and overstaffing). In 1999 and 2001, most organizations worked with fitting staff (55 per cent), but still 39 per cent had understaffing in 1999. In 2001, this was 38 per cent. We believe that overstaffing is negatively related to productivity.

The **market indicator** we take into account is *Sensitivity to business cycles*, in which three categories are distinguished (no/hardly, slightly, yes/very much). In 1999, most organizations are slightly or very much sensitive to the business cycle (42 and 40 per cent). In 2001, most organizations are slightly sensitive to it (46 per cent). Furthermore, we expect organizations that are sensitive to business cycles to have a higher productivity than organizations that are not sensitive to these, because they are probably more flexible and can quickly adjust to business cycles.

The data suffer from selectivity on the revenue variable, which we used to construct our dependent variable i.e., productivity. In 1999, 26 per cent did not answer the question regarding revenue, and 32 per cent did not answer the question in 2001. To control for selectivity we performed a Heckman two-step analysis (Heckman, 1979). In the first step, we estimate a

probit model, with a number of non-zero exclusion restrictions. The dependent variable is whether or not the question of revenue was answered. The exclusion restrictions included the change in work pressure, seasonal fluctuations in production and fluctuations in prices. These factors may influence the likelihood of filling out certain "sensitive" questions in a survey questionnaire. Afterwards, an *Inverse Mills ratio* is calculated and inserted into the regression of interest in the second step. If this term is significant, it indicates that there is a selectivity effect in the dependent variable. Including this term controls for the selectivity bias that would have occurred. If the term is negatively significant, it means the estimates would have been underestimated and vice versa if it is positively significant. Results of the probit analysis can be found in Appendix A.1 (see Table A.1).

We included two dummies to control for possible outliers. We included D_{man} to control for high percentages of managers. These were mostly found in organizations with very few employees. We included this dummy for organizations with more than 65 per cent of managers (none in 1999; 2 in 2001). We did the same for age. There were 26 organizations with a value of 102 for age in 1999, and 25 in 2001. Because these organizations can be 102 or older, we included a dummy D_{age} to control for a possible biased effect of age.

Addison et al. (2001) include more variables regarding workforce characteristics which may well be of importance, such as hours worked, gender, education level, and whether the organization uses temporary contracts. These variables are all available in our dataset. However, the answers have not been provided by all organizations. If we were to include them, we would lose 207 observations in 1999, and 465 in 2001. In Tables A.2, A.3 and A.4 (Appendix A.2), the analyses with these variables included are presented. In 1999, the effect of works council presence in the larger organizations becomes less significant. In 2001, the interaction between reorganizations without layoffs and works council presence becomes insignificant. However, the sample is of course different (smaller, from 455 to 203 observations), and because of that the other interaction could not even be tested (no variation in the interaction variable for this sample).

2.3.2 Data analysis

We perform two hierarchical OLS regression analyses (for the 1999 and the 2001 wave separately). In the first model, the direct effect of works councils on organizational performance is analyzed. In the second model, the

Table 2.2: Correlation matrix 1999

	1	2	3	4	5	6	7	8	9	10	11
1. Productivity											
2. Works council presence	0.64***										
3. Non-compliance	0.07**	-0.18***									
4. Compliance < 50	0.03	0.19***	-0.03								
5. Layoffs	0.10***	0.12***	-0.02	0.06*							
6. Without layoffs	0.22***	0.29***	-0.02	0.06*	0.32***						
7. Size	0.47***	0.40***	-0.01	-0.03	0.02	0.20***					
8. Size ²	0.24***	0.16***	-0.02	-0.02	-0.01	0.10***	0.88***				
9. Level of technology	0.05	0.05	0.03	0.04	0.02	0.05	0.05	0.02			
10. Age organization	0.15***	0.11***	0.04	-0.02	-0.04	-0.06	0.09***	0.07**	-0.03		
11. Part of larger organization	0.36***	0.35***	0.02	0.00	0.06*	0.12***	0.13***	0.03	0.04	-0.06*	
12. R & D	0.23***	0.27***	-0.04	0.02	0.05	0.16***	0.22***	0.13***	0.11***	-0.04	0.12***
13. Performance pay	0.18***	0.10***	0.09***	0.04	0.01	0.09***	0.10***	0.07*	0.01	-0.01	0.14***
14. Unskilled work	0.05	0.10***	0.05	0.02	-0.03	-0.05	0.06*	0.04	-0.01	0.02	0.02
15. Shiftwork	0.08**	0.21***	-0.01	-0.04	0.00	0.03	0.11***	0.03	0.04	0.07**	0.09***
16. Hierarchical levels	0.57***	0.56***	0.04	0.03	0.03	0.21***	0.46***	0.26***	0.04	0.09***	0.32***
17. Percentage managers	-0.29***	-0.34***	-0.14***	0.03	-0.03	-0.06	-0.18***	-0.07**	0.00	-0.06*	-0.22***
18. Staffing	0.05	0.02	0.03	-0.01	0.03	0.08**	0.01	-0.03	-0.06*	0.02	0.04
19. Business cycle	0.09***	0.06	0.02	-0.04	0.02	0.01	0.05	0.03	-0.03	0.03	0.10***
20. D_age	-0.05	-0.05	-0.02	-0.01	-0.01	0.01	-0.02	-0.01	0.05	0.00	-0.06*
21. D_age	0.05	0.03	0.02	-0.02	0.00	0.00	0.16***	0.18***	-0.08**	0.50***	-0.02
22. WC missing	-0.65***	-0.83***	-0.27***	-0.16***	-0.11***	-0.26***	-0.36***	-0.14***	-0.05	-0.13***	-0.36***
23. Inverse Mills ratio	0.21***	0.29***	-0.05	0.08**	0.13***	0.29***	0.13***	0.01	0.06*	-0.05	0.35***
13. Performance pay	0.05										
14. Unskilled work	0.02	0.06									
15. Shiftwork	0.04	-0.02	0.09***								
16. Hierarchical levels	0.23***	0.12***	0.13***	0.17***							
17. Percentage managers	-0.15***	-0.04	-0.08**	-0.14***	-0.15***						
18. Staffing	0.07**	0.02	-0.01	-0.12***	0.08**	-0.01					
19. Business cycle	0.00	0.07**	-0.06*	-0.02	0.06*	-0.05	0.06				
20. D_age	-0.02	0.01	-0.08**	-0.04	-0.03	0.40***	-0.03	-0.04			
21. D_age	-0.03	0.00	0.04	0.06	0.05	-0.07**	0.03	0.05	-0.01		
22. WC missing	-0.24***	-0.13***	-0.12***	-0.19***	-0.58***	0.42***	-0.06*	0.06*	-0.04	-0.04	
23. Inverse Mills ratio	0.14***	0.01	0.03	0.10***	0.23***	-0.11***	-0.03	0.00	-0.06	-0.06*	-0.25***

N = 869

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 2.3: Correlation matrix 2001

	1	2	3	4	5	6	7	8	9	10	11
1. Productivity	0.55***										
2. Works council presence	0.04	-0.22***									
3. Non-compliance	-0.09**	0.32***	-0.07*								
4. Compliance < 50	0.10***	0.09**	0.00	0.00							
5. Layoffs	0.30***	0.30***	-0.05	-0.03	0.27***						
6. Without layoffs	0.40***	0.35***	-0.03	-0.08**	0.01	0.31***					
7. Size	0.25***	0.17***	-0.03	-0.04	-0.02	0.20***	0.91***				
8. Size ²	0.14***	0.08**	0.08**	-0.03	-0.02	0.07**	0.06*	0.05			
9. Level of technology	0.14***	0.08**	0.01	-0.07*	0.07**	-0.08**	-0.02	-0.04	-0.02		
10. Age organization	0.33***	0.42***	-0.02	0.08**	0.05	0.10***	0.13***	0.05	0.09***	0.02	
11. Part of larger organization	0.31***	0.19***	-0.03	-0.07*	0.03	0.22***	0.20***	0.13***	0.15***	0.06	0.15***
12. R&D	0.16***	0.07*	-0.01	-0.02	0.00	0.14***	0.13***	0.11***	0.13***	-0.03	0.10***
13. Performance pay	0.08**	0.08**	0.04	-0.06*	0.03	0.02	0.04	0.01	-0.02	0.01	0.00
14. Unskilled work	0.06	0.21***	-0.01	-0.04	0.02	0.10***	0.09**	0.04	0.10***	-0.03	0.19***
15. Shiftwork	0.42***	0.45***	0.00	-0.10***	0.06	0.18***	0.34***	0.21***	0.12***	0.09***	0.21***
16. Hierarchical levels	-0.31***	-0.36***	-0.16***	0.07*	-0.03	-0.18***	-0.23***	-0.10***	-0.06*	-0.08**	-0.21***
17. Percentage managers	0.01	0.06	-0.01	0.02	0.12***	0.12***	0.01	0.02	0.01	-0.03	0.05
18. Staffing	0.05	0.00	0.02	-0.04	0.08**	0.09***	0.07*	0.06*	0.06	0.02	0.05
19. Business cycle	-0.04	-0.04	-0.01	-0.01	-0.01	-0.03	-0.02	-0.01	0.03	-0.03	-0.05
20. D_man	0.12***	0.04	0.01	-0.05	0.11***	-0.03	-0.01	-0.02	-0.03	0.51***	0.08**
21. D_age	0.22***	0.30***	0.02	0.01	0.06*	0.17***	0.28***	0.19***	0.08**	-0.11***	0.47***
22. Inverse Mills ratio	0.22	0.13	0.14	0.15	0.16	0.17	0.18	0.19	0.21	0.22	
13. Performance pay	0.10***										
14. Unskilled work	0.03	0.01									
15. Shiftwork	0.05	0.00	0.11***								
16. Hierarchical levels	0.23***	0.10***	0.16***	0.15***							
17. Percentage managers	-0.13***	-0.01	-0.08**	-0.18***	-0.17***						
18. Staffing	0.03	0.01	0.09**	0.05	0.06*	-0.07*					
19. Business cycle	0.07*	0.10***	0.06	0.02	0.09**	-0.02	0.14***				
20. D_man	0.00	0.00	-0.06	-0.03	-0.02	0.32***	-0.04	-0.03			
21. D_age	0.02	0.01	0.07*	0.03	0.04	-0.06*	0.01	0.07**	-0.01		
22. Inverse Mills ratio	0.14***	0.06*	0.02	0.21***	0.15***	-0.18***	0.02	-0.10***	-0.01	0.04	

N = 769

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

different types of reorganization are added. In the third model, the interactions between works council and the types of reorganization are added. We first analyze the model over the whole sample, and subsequently for two subsamples after splitting the sample in two subgroups of organizations below and above 50 employees. We do this to see what the effects are in the group of organizations (below 50 employees) that is not obliged by law to have a works council, implying that here operating a works council is done on a voluntary basis. In such cases, the effect of codetermination may be more pronounced.

The interaction terms have to be interpreted in combination with their constituents; if a joint significant effect of the separate coefficients (X and Z) with the interaction coefficient (XZ) is present, an interaction effect is indicated (Brambor et al., 2006). This would mean that the effect of reorganization on productivity is stronger when a works council is present in the organization.

The data have suffered from attrition and selectivity over the years. OSA compensates for attrition by including new organizations in every new sample. However, taking the balanced panel of organizations that stay in over the years, the sample is likely to be biased, since organizations that have bad organizational performance or do not survive over time (are likely to) have dropped out from the second data wave. OSA notes differences across industries in their participation rate over time: organizations in "transport" have a lower chance of dropping out vis-à-vis all other industries. This is not the case for organizational size: large and small organizations have the same chance of dropping out of the sample over time (Bekker et al., 2003).

The balanced panel that remains after attrition only gives 247 observations. Furthermore, the Hausman specification test indicates that we cannot perform a random effects panel analysis. Over time, there are only 6 of these 247 organizations that change on the works council variable, which is not very surprising in the Dutch context. Thus, a fixed effects panel analysis would, in our opinion, not be appropriate. We performed a Chow test to find out whether we can pool the two data waves. The Chow test indicates that the data cannot be pooled, because the years differ too much from each other.

Heteroskedasticity is another issue. We therefore include robust standard errors. Furthermore, to check for multicollinearity, we calculate variance inflation factors (VIF). As none of the bivariate correlation coefficients are above 0.7 and since none of the VIF scores is above 10, the data do not suffer from multicollinearity.

2.4 Results

Tables 2.4, 2.5 and 2.6 show the results for both regressions, for 1999 and 2001. These tables show the analyses on the whole sample, the sample smaller than 50, and larger than 50, respectively. First, we are interested in the direct effect of works councils on productivity. In Table 2.4, we can see that there is a positive effect of works councils on productivity; organizations with a works council have 75 per cent higher productivity than organizations without a works council. In 2001, this effect is even larger, namely 195 per cent higher productivity for organizations with works councils. Looking at the group with less than 50 employees, we see that there is no effect for works councils in the smaller organizations. For both years we can see that the works council has a positive direct effect in larger organizations; 53 per cent in 1999 and 86 per cent in 2001. These results confirm our first hypothesis, namely that works council presence is associated with higher productivity.

Table 2.4: Explaining Productivity 1999 and 2001

	1999			2001		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Independent variables</i>						
Works council presence	0.747*** (0.248)	0.735*** (0.246)	0.760*** (0.254)	1.949*** (0.173)	1.893*** (0.173)	1.908*** (0.184)
Layoffs		0.468** (0.231)	0.563 (0.419)		0.228 (0.238)	0.129 (0.341)
Without layoffs		-0.060 (0.116)	-0.007 (0.157)		0.305*** (0.112)	0.355** (0.139)
Layoffs*WC			-0.134 (0.500)			0.169 (0.446)
Without layoffs*WC			-0.097 (0.221)			-0.094 (0.221)
<i>Organizational characteristics</i>						
Non-compliance	0.250 (0.299)	0.249 (0.298)	0.248 (0.299)	1.135*** (0.235)	1.140*** (0.232)	1.138*** (0.232)
Compliance smaller than 50	-0.449 (0.300)	-0.467 (0.313)	-0.463 (0.311)	-1.599*** (0.312)	-1.564*** (0.309)	-1.569*** (0.310)
Size	0.235*** (0.025)	0.236*** (0.025)	0.237*** (0.026)	0.095** (0.039)	0.084** (0.040)	0.086** (0.040)
Size ²	-0.000*** (0.000)	-0.000*** (0.000)	-0.000*** (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
<i>Technology</i>						
Not new/Not old	0.222 (0.282)	0.204 (0.283)	0.207 (0.283)	-0.145 (0.204)	-0.120 (0.195)	-0.121 (0.195)

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Table 2.4 – *Continued*

	1999			2001		
	(1)	(2)	(3)	(4)	(5)	(6)
Relatively new	0.160 (0.275)	0.154 (0.275)	0.154 (0.275)	0.044 (0.201)	0.070 (0.191)	0.068 (0.192)
Newest	0.216 (0.280)	0.198 (0.281)	0.198 (0.281)	-0.003 (0.239)	0.000 (0.232)	-0.000 (0.232)
Age organization	0.007*** (0.002)	0.008*** (0.002)	0.008*** (0.002)	0.002 (0.002)	0.002 (0.002)	0.002 (0.002)
Part of larger organization	0.518*** (0.106)	0.519*** (0.107)	0.514*** (0.107)	0.408*** (0.119)	0.429*** (0.119)	0.430*** (0.119)
R&D	0.040 (0.097)	0.041 (0.098)	0.042 (0.098)	0.556*** (0.103)	0.526*** (0.102)	0.522*** (0.103)
Performance pay	0.240*** (0.091)	0.242*** (0.092)	0.243*** (0.092)	0.218** (0.095)	0.199** (0.096)	0.202** (0.097)
Industry dummies	Included***			Included***		
<i>Workforce characteristics</i>						
Unskilled work	-0.099 (0.090)	-0.094 (0.089)	-0.096 (0.089)	-0.013 (0.106)	-0.011 (0.106)	-0.011 (0.106)
Shiftwork	-0.006*** (0.002)	-0.006*** (0.002)	-0.006*** (0.002)	-0.007*** (0.002)	-0.007*** (0.002)	-0.007*** (0.002)
Hierarchical levels	0.316*** (0.068)	0.322*** (0.068)	0.322*** (0.068)	0.095 (0.066)	0.101 (0.065)	0.100 (0.065)
Percentage managers	-0.001 (0.005)	-0.001 (0.005)	-0.002 (0.005)	-0.004 (0.006)	-0.004 (0.006)	-0.004 (0.006)
<i>Staffing</i>						
Understaffing	0.049 (0.093)	0.057 (0.093)	0.056 (0.093)	-0.055 (0.099)	-0.061 (0.099)	-0.061 (0.099)
Overstaffing	-0.243* (0.126)	-0.272** (0.130)	-0.274** (0.131)	-0.245 (0.154)	-0.352** (0.158)	-0.356** (0.158)
<i>Market characteristics</i>						
<i>Sensitivity to business cycle</i>						
Slightly	0.156 (0.122)	0.164 (0.121)	0.162 (0.121)	-0.130 (0.105)	-0.155 (0.104)	-0.153 (0.105)
Yes/Very much	0.184 (0.123)	0.185 (0.122)	0.183 (0.122)	-0.029 (0.132)	-0.066 (0.132)	-0.065 (0.132)
<i>Model controls</i>						
Constant	11.196*** (0.462)	11.198*** (0.465)	11.195*** (0.466)	11.021*** (0.349)	11.000*** (0.344)	10.999*** (0.345)
Observations	869	869	869	769	769	769
Adjusted R ²	0.569	0.570	0.569	0.492	0.496	0.495

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

The main effect of reorganization shows that reorganizations with layoffs have a positive effect in 1999, even though the effect is only marginally significant. In 2001, reorganizations without layoffs reveal a positive effect. The effect in 1999 is contrary to our expectations, because we argued that reorganizations with layoffs would harm organizational productivity. Next to the direct effect, we are interested in the moderating effect of works councils on the relationship between reorganization and organizational productivity. We find no significant interaction effects in the analyses for the whole sample. However, if we look at the effects in the group with organizations that employ less than 50 employees, we see that both in 1999 and 2001 there are significant interaction effects.

In 2001, we find a significant interaction effect between reorganization without layoffs and works council involvement. In reorganizations without layoffs, the works councils' role tends to be positive. In these kinds of reorganizations, works councils can positively add to organizational productivity, as hypothesized. Contrary to our expectation, the impact of involvement of the works council in reorganizations with layoffs is significantly negative in 1999. When this type of reorganization occurs and the works council is involved, this tends to negatively affect organizational productivity.¹ Our second hypothesis is partly confirmed by these results, namely for small organizations in 2001; our third hypothesis does not receive any support.

We control for a number of alternative explanations. In 1999, size is significant: the larger the organization, the higher the productivity, although this stops at a certain size, as indicated by the significance of the squared term. Older organizations are also more productive, as well as subsidiaries, which is against our expectations. It might be that being part of a larger enterprise gives organizations more security: because they experience less risk as a result, they can enhance their productivity. Performance pay positively affects productivity.

Of the workforce characteristics, shiftwork has a negative effect on productivity in 1999. The number of hierarchical levels positively affects productivity, opposed to our expectations, which might indicate that organizational productivity increases because of more direct monitoring and supervision on the workfloor. As expected, overstaffing is negatively related to productivity.

¹ We graphed the marginal effects for the interaction effects, as suggested by Brambor et al. (2006). These graphs are presented in Appendix A.3.

Table 2.5: Explaining Productivity smaller than 50, 1999 and 2001

	1999			2001		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Independent variables</i>						
Works council presence	0.118 (0.370)	0.119 (0.371)	0.212 (0.422)	0.132 (0.270)	0.131 (0.271)	-0.031 (0.309)
Layoffs		0.098 (0.356)	0.327 (0.359)		-0.265 (0.250)	-0.216 (0.262)
Without layoffs		-0.061 (0.149)	-0.061 (0.154)		0.208 (0.135)	0.081 (0.144)
Layoffs*WC			-1.634* (0.904)			-0.798 (0.640)
Without layoffs*WC			0.256 (0.538)			1.068** (0.478)
<i>Organizational characteristics</i>						
Size	13.001*** (2.461)	12.992*** (2.463)	13.257*** (2.432)	10.852*** (2.563)	10.528*** (2.618)	10.820*** (2.621)
Size ²	-0.146** (0.064)	-0.146** (0.065)	-0.155** (0.063)	-0.123** (0.048)	-0.118** (0.049)	-0.123** (0.048)
<i>Technology</i>						
Not new/Not old	0.126 (0.372)	0.122 (0.373)	0.123 (0.374)	-0.290 (0.231)	-0.252 (0.220)	-0.158 (0.193)
Relatively new	0.109 (0.362)	0.105 (0.363)	0.098 (0.365)	-0.203 (0.228)	-0.166 (0.216)	-0.068 (0.189)
Newest	0.130 (0.373)	0.127 (0.375)	0.114 (0.376)	-0.119 (0.309)	-0.105 (0.302)	-0.010 (0.282)
Age organization	0.006* (0.003)	0.006* (0.003)	0.006* (0.003)	-0.000 (0.003)	0.000 (0.003)	0.000 (0.003)
Part of larger organization	0.356** (0.138)	0.358*** (0.138)	0.363*** (0.138)	0.533*** (0.140)	0.539*** (0.141)	0.525*** (0.139)
R&D	-0.004 (0.125)	0.001 (0.128)	0.003 (0.128)	0.285** (0.116)	0.268** (0.117)	0.286** (0.119)
Performance pay	0.144 (0.118)	0.146 (0.118)	0.143 (0.118)	0.085 (0.112)	0.079 (0.112)	0.064 (0.113)
Industry dummies		Included**			Included***	
<i>Workforce characteristics</i>						
Unskilled work	-0.067 (0.105)	-0.068 (0.104)	-0.075 (0.104)	-0.004 (0.120)	-0.007 (0.120)	-0.013 (0.119)
Shiftwork	-0.005** (0.002)	-0.005** (0.002)	-0.005** (0.002)	-0.009*** (0.003)	-0.010*** (0.003)	-0.010*** (0.003)
Hierarchical levels	0.120 (0.098)	0.118 (0.098)	0.119 (0.098)	-0.086 (0.115)	-0.080 (0.116)	-0.080 (0.115)
Percentage managers	0.016*** (0.005)	0.016*** (0.005)	0.016*** (0.006)	0.007 (0.007)	0.006 (0.007)	0.007 (0.007)

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Table 2.5 – *Continued*

<i>Staffing</i>						
Understaffing	-0.049 (0.117)	-0.048 (0.117)	-0.049 (0.117)	0.067 (0.114)	0.062 (0.115)	0.053 (0.115)
Overstaffing	-0.391*** (0.148)	-0.395** (0.155)	-0.392** (0.154)	-0.193 (0.163)	-0.215 (0.175)	-0.176 (0.174)
<i>Market characteristics</i>						
<i>Sensitivity to business cycle</i>						
Slightly	0.252* (0.130)	0.251* (0.130)	0.256* (0.131)	-0.079 (0.122)	-0.090 (0.123)	-0.103 (0.123)
Yes/Very much	0.271** (0.136)	0.269** (0.136)	0.277** (0.137)	-0.136 (0.151)	-0.142 (0.152)	-0.155 (0.153)
<i>Model controls</i>						
	Included			Included		
Constant	8.945*** (0.674)	8.934*** (0.678)	9.009*** (0.671)	10.278*** (0.447)	10.285*** (0.443)	10.161*** (0.423)
Observations	532	532	532	455	455	455
Adjusted R^2	0.254	0.252	0.252	0.246	0.246	0.251

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

For 2001, the control variables partly show different patterns. The Chow test already indicated that the models differ too much to pool the data, and that is confirmed by the different results in the two models. First, the compliance with the works council law shows significant results, indicating that organizations without works councils, where they should have had one, have higher productivity than the other organizations. On the other hand, if organizations have a works council where they do not have to have one, lower productivity is observed. This might be mainly due to size effects; a large organization without a works council does better than small organizations with or without a works council. However, if we look at the analysis containing only organizations with 50 or more employees (Table 2.6), we see that works council presence in that size group, does have a positive effect.

The other organizational characteristics show a positive effect for size, subsidiary, R&D, and the use of performance pay. The R&D variable was not significant in the 1999 analysis, and the size squared variable shows no impact in 2001. The workforce characteristics reveal less significant effects than in 1999. Shiftwork is again negatively related to productivity, and overstaffing reveals a tendency to be associated with lower productivity, indicated by its significance in Model 2 and 3.

Table 2.6: Explaining Productivity larger than 50, 1999 and 2001

	1999			2001		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Independent variables</i>						
Works council presence	0.526*** (0.191)	0.534*** (0.190)	0.496** (0.223)	0.860*** (0.254)	0.829*** (0.253)	0.927*** (0.267)
Layoffs		0.508* (0.260)	1.077** (0.541)		0.420 (0.315)	1.030 (1.241)
Without layoffs		-0.192 (0.170)	-0.491 (0.430)		0.131 (0.171)	0.437 (0.568)
Layoffs*WC			-0.597 (0.608)			-0.692 (1.288)
Without layoffs*WC			0.325 (0.441)			-0.355 (0.595)
<i>Organizational characteristics</i>						
Size	0.248*** (0.027)	0.250*** (0.027)	0.248*** (0.028)	0.118*** (0.037)	0.113*** (0.038)	0.115*** (0.038)
Size ²	-0.000*** (0.000)	-0.000*** (0.000)	-0.000*** (0.000)	-0.000* (0.000)	-0.000 (0.000)	-0.000* (0.000)
<i>Technology</i>						
Not new/Not old	0.451 (0.314)	0.449 (0.317)	0.459 (0.318)	0.121 (0.321)	0.146 (0.316)	0.133 (0.320)
Relatively new	0.363 (0.305)	0.370 (0.306)	0.372 (0.307)	0.347 (0.321)	0.385 (0.319)	0.364 (0.323)
Newest	0.441 (0.318)	0.443 (0.322)	0.447 (0.324)	0.198 (0.349)	0.237 (0.348)	0.228 (0.350)
Age organization	0.005** (0.002)	0.005** (0.003)	0.005** (0.003)	0.003 (0.003)	0.003 (0.003)	0.003 (0.003)
Part of larger organization	0.454*** (0.166)	0.428** (0.168)	0.426** (0.170)	0.188 (0.178)	0.193 (0.179)	0.188 (0.182)
R&D	-0.120 (0.159)	-0.132 (0.159)	-0.143 (0.164)	0.684*** (0.173)	0.665*** (0.171)	0.679*** (0.173)
Performance pay	0.380*** (0.140)	0.393*** (0.146)	0.399*** (0.149)	0.392** (0.153)	0.386** (0.155)	0.380** (0.156)
Industry dummies		Included			Included	
<i>Workforce characteristics</i>						
Unskilled work	-0.284* (0.150)	-0.292** (0.148)	-0.293* (0.150)	-0.248 (0.172)	-0.225 (0.175)	-0.225 (0.177)
Shiftwork	-0.007*** (0.003)	-0.007*** (0.003)	-0.007*** (0.003)	-0.003 (0.003)	-0.003 (0.003)	-0.002 (0.003)
Hierarchical levels	0.211** (0.097)	0.228** (0.097)	0.234** (0.099)	-0.069 (0.078)	-0.058 (0.078)	-0.058 (0.078)
Percentage managers	0.008 (0.010)	0.007 (0.010)	0.008 (0.010)	0.065*** (0.015)	0.063*** (0.014)	0.062*** (0.014)

Continued on next page

Table 2.6 – *Continued*

<i>Staffing</i>						
Understaffing	0.107 (0.152)	0.133 (0.152)	0.143 (0.151)	-0.106 (0.153)	-0.103 (0.155)	-0.110 (0.155)
Overstaffing	-0.186 (0.219)	-0.168 (0.216)	-0.167 (0.216)	-0.284 (0.267)	-0.370 (0.274)	-0.362 (0.281)
<i>Market characteristics</i>						
<i>Sensitivity to business cycle</i>						
Slightly	-0.165 (0.244)	-0.136 (0.241)	-0.129 (0.239)	-0.120 (0.188)	-0.140 (0.189)	-0.145 (0.189)
Yes/Very much	-0.143 (0.230)	-0.124 (0.230)	-0.113 (0.227)	-0.029 (0.212)	-0.076 (0.215)	-0.075 (0.213)
<i>Model controls</i>						
	Included			Included		
Constant	11.925*** (0.537)	11.824*** (0.545)	11.820*** (0.548)	11.828*** (0.586)	11.791*** (0.591)	11.731*** (0.602)
Observations	337	337	337	314	314	314
Adjusted R^2	0.388	0.391	0.388	0.325	0.327	0.325

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

2.5 Discussion

The current study investigates the way in which works councils can affect productivity in organizations, in different organizational circumstances. The question we aimed to answer is: Can codetermination help to enhance effective reorganizations and hence, help to boost organizational productivity? This study argues that codetermination is an important institution within organizations, that can help organizations improve their productivity, even in times of reorganization. The process of organizational change can, in this way, be perceived as a process in which an organization can benefit from the involvement of a codetermination institution. Codetermination can either hamper the negative effects of reorganizations (particularly those involving layoffs), or can even reinforce positive effects of reorganizations (particularly those without layoffs).

Our first hypothesis is supported: having a works council is associated with direct positive effects on organizational productivity. That is, organizations with a works council have significantly higher productivity than organizations without one. We did not find this effect to be present in smaller organizations. This supports earlier findings of Addison et al. (2001) and Zwick (2004), who also find positive effects of works council presence on organizational productivity, especially in larger organizations.

Regarding reorganizations with vis-à-vis without layoffs, reorganiza-

tions appear to have a positive effect on organizational productivity. In 1999, this holds for reorganizations with layoffs; and in 2001, this is true for reorganizations without layoffs. We did not expect reorganizations with layoffs to show positive effects, as most research on reorganizations indicated negative effects on performance (Cascio and Wynn, 2004; Sorge and Van Witteloostuijn, 2004). However, in the current study's sample, laying off people apparently gives a boost to efficiency, and hence to productivity. This might be due to the short-run nature of our performance measure. It may well be that the long-run impact of reorganizations, particularly in the case of organizations that engage in a string of these, will harm organizational performance. This is an interesting avenue for further work.

Interestingly, the results suggest that works councils play a significant role in reorganizations in smaller organizations, with less than 50 employees. In contrast, no interaction effects were found for organizations with more than 50 employees. This difference is noteworthy, because organizations employing less than 50 employees are legally free to choose whether or not to install a works council, while larger organizations are obliged by law to do so. Our findings indicate that in organizations where works councils are voluntarily installed, they have a larger chance to make a difference, perhaps because both management and employees in these organizations believe that a works council adds value to the organization, making them more willing to invest in the council's effectiveness.

However, even though works councils potentially have an influential role to play in reorganizations, this influence is not always positive, contrary to what we expected. Specifically, in reorganizations with layoffs, involvement of the works council is associated with lower productivity. This might be due to a lack of an adequate information provision, leading to a disrupted trust relation of management with employees. This process and the importance of communication have been revealed before in prior work (e.g., Bastien, 1987; DiFonzo and Bordia, 1999). These case studies show that communication is one of the most important factors facilitating the successful implementation of a reorganization without hampering productivity. One of the reasons that works council involvement can lead to negative results of a layoff-involving reorganization on productivity might be the works councils' legal obligation of secrecy. This can mean that the works council is informed in an early stage without being able to inform employees. This is a source of conflict and distrust later in the process.

As hypothesized, the works council effect on productivity turns out to be positive in the context of reorganizations without layoffs. These results might be due to the fact that works councils facilitate the creation of a basis of understanding amongst the employees, so that reorganization

can take place relatively smoothly. These results are in line with earlier case study work, showing that reorganizations can be beneficial for performance (Janod and Saint-Martin, 2004).

Rumors in an organization might already spread the word of upcoming layoffs, which may trigger a drop in morale and motivation to work (DiFonzo and Bordia, 1999; Zwick, 2002). When employees suspect works council members to have the information without taking any counteraction, this might generate a lack of trust in the works council as well as in management. Employees might feel betrayed by both management and works council, both only representing organizational interests. Low morale and low motivation negatively affect productivity. Therefore, we believe that to let works councils play a constructive role in the process of reorganizing, they (and also management) should be able to openly communicate to employees at an early stage (e.g., Bastien, 1987; DiFonzo and Bordia, 1999). To look into these processes and the important role of communication, we suggest future research that focuses on the study of the relations between management, employees and works council. The next chapters, in particular Chapters 5 and 6, focus on this relationship through case studies.

Lastly, an interesting finding is the impact of having a works council in organizations below 50 employees. This factor negatively impacts productivity. This implies that when organizations choose to voluntarily install a works council, this has negative consequences for productivity. This negative impact might be due to the formalities that are involved with having a works council, such as regular meetings and legal procedures, which might hamper performance in smaller organizations. In these types of organizations, communication between management and workforce may be enhanced by the fact that people are easier to connect to anyway. A formal institution such as a works council may therefore not be necessary, and may lessen organizational efficiency. An alternative explanation might be that the works council is installed because of problems in the organization; this is explained by the endogeneity argument of Jirjahn (2010). In the next chapter, we argue that in the Netherlands the endogeneity argument is unlikely to hold.

A study such as ours is not without limitations. The first limitation relates to the fact that the current study's data only indicated whether a works council was present or not. This is a rather course-grained measure of codetermination. Moreover, this dummy measure may introduce a bias, because large organizations tend to have higher revenues and tend to have works councils more often than smaller organizations. Hence, the results have to be interpreted with caution. Therefore, it would be interesting to study the influence of different process-related and structural characteris-

tics of works councils, not only their presence. For example, the amount of influence a works council has in combination with the actual role this council plays in reorganizations is relevant. As indicated above, more attention to these factors is given in the coming chapters.

A second limitation of this study is that data on smaller organizations concerning works councils were not gathered in 1999. These organizations would have been interesting to study, because they might have chosen to install a works council voluntarily. With this information, we would also have been able to perform analyses at the subgroup level. Furthermore, the number of organizations that had experienced a reorganization with layoffs in our sample is quite low. The interaction effects are thus based on only a small number of organizations. Data on later years, for example relating to the years of the global credit crisis (from 2007 onwards), could provide additional insights into the role of works councils in reorganizations with layoffs. This offers another opportunity for future research, using a different data set. The most recent data collection wave of the Labor Demand Panel (2010), containing information about works council presence and works council attributes, could provide new insights regarding these issues.

Furthermore, a third limitation is that the data suffer from attrition. Indeed, the Chow test reveals that pooling both waves of data is not allowed. This implies that we were not able to conduct panel analyses, but had to stick to separate sets of year-specific cross-section regressions (albeit including lagged reorganization variables). Future research could study longitudinal effects of works councils in the context of reorganization processes, to be able to unravel causal relationships, including measures of short vis-à-vis long-run organizational performance. Such an analysis could reveal whether the positive effect of codetermination on the relationship between reorganization and organizational performance persists over time.

Chapter 3

Works council's impact on quits and hires in good and bad economic times^{*}

3.1 Introduction

Over the last decades, the role of works councils in organizations has been studied extensively. This role is of importance, although it is still ambiguous in what way works councils can add to organizational performance. Research has not yet succeeded in agreeing upon the influence of works councils on organizational decision-making and performance. Many empirical studies relate to Germany, and study the effect of works council presence on several performance indicators. Addison (2009) summarizes the work on German works councils over the last decades, and shows that the results point in different directions. For example, Addison et al. (2001) find a positive effect on the organization's productivity, but a negative impact on profitability. Moreover, opposing effects have been found per indicator, due to different measurements or methodologies; for example, the negative profitability effect found by Addison et al. (2001) has been contradicted by Mueller (2011), and the negative employment effect found by Addison and Teixeira (2006) has been contradicted by Jirjahn (2010). The

^{*}This chapter draws heavily on a paper co-authored with Arjen van Witteloostuijn, Annette van den Berg, and Yolanda Grift, and is currently under review at a journal in the field of Industrial Relations. Earlier versions of this paper have been presented at the BAM (British Academy of Management) conference 2011 (Birmingham) and the SASE (Society for the Advancement of SocioEconomics) Annual Meeting 2012 (Boston). We would like to thank the members of the EROB (Employee Relations and Organisational Behaviour) department at LSE (the London School of Economics) for their helpful suggestions on earlier versions of the paper.

current study takes into account one of the performance indicators studied by Addison et al. (2001), namely labor turnover. The questions of interest are:

Research question 1. *Do works councils have an effect on labor turnover (departures and hires)?*

Research question 2. *Do these effects differ under different economic circumstances?*

We thus study the effects of works council presence on labor turnover in different economic times, namely in two different years, 1999 and 2001. In 1999, economic conditions were relatively good; but in 2001, the times had changed. We argue that works council effects in hard economic times might well be different compared to the effects in "normal" situations (see also Chapter 2). In the former situations, voice (the influence of the works council) will be more salient than exit, because exit options (alternatives) are decreasing.

Addison (2009) emphasizes the need for more empirical work on works councils to be able to create a clear picture of the influence of works councils on different aspects of organizational performance. The current study does so by making a four-fold contribution. First, 1) we use a large dataset with information on works council presence and labor turnover. Furthermore, 2) we give more insights in the Dutch situation, which up until now has hardly been studied empirically (with the notable exceptions of Van den Berg et al. (2011a,b)). Moreover, 3) we study the question of labor turnover in-depth, having information on quits, dismissals, and hires, in private as well as public organizations. Finally, 4) the distinction between good and bad times can tell us more about the different role of works councils in differing situations.

We argue that works councils can have the often found hampering effect on voluntary quits in both economic circumstances. Furthermore, we expect that works councils have a negative effect on involuntary quits in bad economic times; however, in good economic times, they have the opposite impact. Last, contrary to Addison et al. (2001), we expect that works councils have a positive effect on hires in Dutch organizations in good times, and a negative effect in bad times. Most German studies on labor turnover expect and find negative effects on all turnover types (e.g., Addison et al., 2001; Dilger, 2004). In the current study, we also expect negative effects on all types, but only in bad economic times. Due to the strong dual task of Dutch works councils, we expect the effects to be different in good economic times.

We think it is important to study labor turnover, because this can be costly to both organizations and people. As Holtom et al. (2008: 233) state

in their overview of turnover research: "the topic of turnover is clearly relevant to managers, researchers and individuals." For example, managers want to attract and retain high-quality employees, and employees seek to retain their jobs, because searching for a new job is costly.

We first introduce Dutch works councils and why they are interesting to study. We make a comparison with German works councils on aspects in which their differences might lead to different expectations for labor turnover. Subsequently, we discuss the theory on labor turnover, and possible works council effects, and formulate hypotheses. Third, we explain the methods we use to test our hypotheses. After a presentation of the results, we conclude by discussing the outcomes and implications of the current study.

3.2 Dutch industrial relations

The Dutch industrial relations system is well-known to be consultative and collaborative (Gumbrell-McCormick and Hyman, 2010; Van Jaarsveld et al., 2009). Union density is quite low, but collective agreements cover 85 per cent of the employees. Works councils in the Netherlands have the right to be informed on all relevant organizational matters in order to carry out their legal tasks optimally. Furthermore, they have the right to give advice on a large number of strategic decisions, irrespective of whether or not the direct interests of the employees are at stake (Van het Kaar, 2008). Next to that, they have the right of initiative, that is, to come up with ideas on how to improve organizational matters. The most far-reaching power is the right of consent, which is the right to agree or disagree, on social matters.

German and Dutch works councils are similar on a number of features, and are comparable in terms of the amount of legal rights they have. Both types of works councils have only workers in the council (Gumbrell-McCormick and Hyman, 2010). Furthermore, they both have a dualistic task. However, German councils differ from Dutch works councils in a number of aspects (see, e.g., Van den Berg et al., 2011a). First, works councils in Germany have to be installed after employee initiative, which is possible from five employees onwards. However, in the Netherlands, installment of a works council depends on size (above 50 employees, organizations need to install a works council). Because of these rules, compliance with the works council law is much higher in the Netherlands (70 per cent in 2008 (Visee and Mevissen, 2009), as opposed to 13 per cent in Germany in 2007 (Addison, 2009)). Second, the relationship between works councils and management is more formal in Germany than in the Netherlands, ev-

idenced from the amount of cases that have been brought to court; 16 per cent in Germany compared to almost none in the Netherlands (Van den Berg et al., 2011a).

In terms of formal power, Dutch works councils are stronger than German works councils concerning their advisory rights; as stated above, works councils have the right to advise on a large number of matters, irrespective of whether they directly affect the employees in the organization (Van het Kaar, 2008). Dutch works councils are perceived to be weaker than German works councils regarding supervisory board representation, and regarding influence on the highest levels in the case of large international companies (no representation on that level (Van het Kaar, 2008)). Next to that, Dutch works councils are believed to use their rights less extensively than their German counterparts (Gumbrell-McCormick and Hyman, 2010; Van Jaarsveld et al., 2009).

The German works council has often been presented as an exemplar case of employee participation, and many studies have focused on Germany. The differences described above might lead to other implications for Dutch works councils. All this makes Dutch works councils an interesting case for the study of labor turnover in comparison with their German counterparts.

3.3 Theory

On the one hand, labor turnover is often presented as being harmful to organizational performance. This is mostly due to the high costs of training and hiring new personnel, and the costs of disruption in work teams that turnover might cause (Addison, 2009; Doellgast, 2008; Maertz Jr et al., 2010). On the side of the employees, turnover can also lead to a loss, because employees who leave organizations because they are dissatisfied, for example with pay and working conditions, can lose opportunities for promotion and pay (Cappelli and Neumark, 2004).

On the other hand, it is important to consider the positive effects labor turnover can have. Abelson and Baysinger (1984), for example, argue that low levels of turnover might be more beneficial for organizations than a zero level of turnover, because it can revitalize the workforce, reduce compensation costs such as salaries and sick leave pay, and sort out poor performers. The costs for retaining workers might be larger than turnover costs. Therefore, the authors propose a U-shaped function of turnover versus retention costs, leading to an optimal turnover rate. In addition to that, Addison (2009) mentions that an optimal rate of turnover should be found before we can say something about the implications of works council ef-

fects on labor turnover.

In the light of this argument, it is useful to look at the distinction between voluntary and involuntary turnover (e.g., Shaw et al., 1998; Frick, 1996). These two types of turnover are believed to have different effects on organizational performance. For example, voluntary quits are believed to be negative for the organization, because workers who are more skilled are more likely to leave, since they have more alternative options (Holtom et al., 2008). Hence, the organization loses important human capital (and therefore is confronted with a decline in productivity). Moreover, if an organization experiences a relatively high amount of voluntary quits, this indicates dissatisfaction, which may well also be the case for the "non-leavers", which in turn might express itself in lower productivity.

Involuntary quits (dismissals) have often been argued to be positively related to performance due to eliminating poor performers (Holtom et al., 2008). However, more recent research shows that both types of turnover (voluntary and involuntary) are negative for organizational performance, because of the disruption caused in the workforce (Maertz Jr et al., 2010), because of reputation issues for the remaining workforce, and because of the signal of workforce quality problems (Batt and Colvin, 2011). This has been confirmed by the meta-analysis of Park and Shaw (2012), who find an overall negative effect of turnover, and state that increases in involuntary turnover rates might even be more harmful to organizational performance than increases in voluntary turnover.

Next to departures, we look at the effect of works councils on hires. Hires have not been explicitly studied in the labor turnover literature, but have mostly been perceived as a consequence of (in)voluntary quits, assuming that when people leave, others will have to be hired to fill their position. This process might be costly, because these people have to be searched for, and when hired, have to be trained. However, following from the positive approach towards turnover, hires could also be regarded as favorable, because new ideas come into the organization, and the organization has the possibility to grow.

Labor turnover can be caused by a large number of factors, and needs to be studied in that larger context. For example, some organizations have high labor turnover as an inherent characteristic. The level of labor turnover in organizations depends on several factors, such as organizational features, employees' characteristics, the industry an organization operates in, and the industrial relations system in a country. In this study, we particularly look at how works councils can influence labor turnover.

There have been several studies into the effects of employee participation on labor turnover. As mentioned above, it is important to look at voluntary and involuntary quits separately. This is not only necessary be-

cause they may have different consequences for performance, but also because works councils might have a different effect on the different types of turnover. We use the exit-voice framework of Hirschman (1970), later applied to union voice by Freeman and Medoff (1984), to describe the choice employees have; raising their voice, or quitting the organization.

3.3.1 Voluntary quits

Regarding voluntary quits, we expect (*ceteris paribus*) that employees are less likely to leave the organization when a works council is present, because the works council defends the interests of the employees. This reflects the "voice" part in the exit-voice model. Employees can have two ways to show their dissatisfaction with their job or organization: exit the organization, or express their discontent by using voice. The problem with the voice option is that it is difficult for individual employees to use voice. First, it is risky to do so, because it can lead to a bad reputation with the employer. Furthermore, a public good problem might occur, because working conditions are a common good, which needs to be defended collectively (Frick, 1996). A works council is able to fulfill this defending role, because it can express "voice" by means of its legal rights, without the individual employees having to fear for their jobs. (The question of whether individual works council members are negatively affected is also an interesting one; however this goes beyond the scope of the current study.) Diminishing voluntary quits reduces the costs of hiring new personnel, which might be higher than the costs of having a works council (Frick, 1996).

The argument that works councils have a decreasing effect on quits was confirmed by empirical findings, for example by Frick (1996) and Backes-Gellner et al. (1997), who find that quits are lower when a works council is present. In her study on call centers, Doellgast (2008) also finds a negative effect of works councils on quits. Most studies point in the direction of a hampering effect of works councils on quits, due to the exit-voice mechanism. These results all relate to German works councils. For Dutch works councils, we expect the same effects to occur, because Dutch works councils are there (amongst other things) to defend the interests of the employees. Thus, we hypothesize that Dutch works councils have a negative direct effect on quits (less quits) in good economic times, because they give employees an option of voice instead of exit.

Hypothesis 1a. *Works council presence leads to less voluntary quits in good economic times.*

For adverse economic times, we expect the same direction of the effect,

although caused by a different mechanism. Works councils might fulfill a different role, namely that of generating understanding amongst employees as to the possible negative consequences of the bad economic times, such as reorganizations. Several studies have argued that communication is extremely important in processes of organizational change (DiFonzo and Bordia, 1999). This is the case because communication can reduce uncertainty, and with that reduce turnover intentions (Bordia et al., 2004). If management informs employees and if the reorganization's rationale is communicated convincingly, employees might be willing to give up some of their personal interests to the greater benefit of the organization as a whole (Lazear, 1998; Van den Berg, 2004).

Voluntary quits after reorganizations are usually the effect of distrust of management from the remaining employees after layoffs, disruptions of the remaining team, or discontent with the reorganizations (Holtom et al., 2008). Good communication and a perception of managerial fairness lead to less loss in the performance of survivors, and less insecurity (Maertz Jr et al., 2010; Cascio and Wynn, 2004). We believe works councils can, by creating acceptance and understanding (Lazear, 1998; Wigboldus et al., 2008), reduce the number of voluntary quits. Support for this finding has been reported from case studies (Bastien, 1987), revealing that a large number of people were inclined to leave the organization in those organizations where minimal communication took place. We argue that the works council can have an important role in closing this information gap, and providing information to the employees, thus reducing voluntary quits in adverse economic times.

Furthermore, an obligation to have a works council indicates that there is strong employment regulation in a country. This usually means that the interests of the incumbent workers are protected, and that it is not easy to fire employees. Because it is hard to get rid of employees, there might be a block on hiring. This is likely to lead to less quits, because if people leave, chances are lower that they will easily find a new job. This was also argued by Doellgast (2008), stating that countries with stronger employment protection legislation have a lower level of employee churning, less frequent job changes, and longer times of unemployment (OECD, 2004).

Hypothesis 1b. *Works council presence leads to less voluntary quits in bad economic times.*

3.3.2 Involuntary quits

For involuntary quits (dismissals), we anticipate different effects compared to those for voluntary quits, depending on the nature of the eco-

conomic times. Because of the strong dual task of Dutch works councils, we expect works councils to have no effects on dismissals in prosperous economic times. This is reflected in the legal role Dutch works councils can take up in situations of dismissals. Just as in Germany (e.g., Backes-Gellner et al., 1997), they have a strong position with regards to dismissals. However, Dutch works councils do not have to be consulted on all dismissals (as is the case in Germany (German Works Constitution Act 2001, section 102)), but primarily have a role when a group of employees is affected, or when dismissal policy is changed (Dutch Works Council Act, 2004, Section 27.1). For works councils, the role they can play in case of dismissals is less distinct.

Moreover, in cases of reorganization in good economic times, works councils might be less worried about the employees who have to leave the organization. Even though economic times are good, organizations might be in bad weather. Good economic times mean higher chances of finding a new job. In these cases, works councils can be involved in negotiating a social plan for employees who have to leave, which might result in a (relatively) beneficial situation for the dismissed employees; the resources available to organizations to pay for the social plan might be more sufficient to live up to the employees' and works council's expectations in better economic times as compared to bad times.

Hypothesis 2a. *Works council presence leads to no effect on involuntary quits in good economic times.*

Even though works councils cannot defend the rights of employees in all situations, because they have to take the interests of the organization as a whole into account, we hypothesize that works councils in the Netherlands have a negative effect on dismissals in adverse economic times. Frick (1996) also finds an overall negative effect of works council presence on dismissals. Furthermore, Addison et al. (2001) report a negative effect of works council presence on departures, which includes voluntary and involuntary quits.

Frick (1996) finds that in times of contraction, works councils do not oppose layoffs, because the works council acts in favor of the organization as a whole, and agrees on the necessity of the layoffs. Also, a good social plan might be a sufficient condition to agree on the layoffs. We argue that this effect is more likely to occur in good economic times e.g., if there are more resources for the social plan. In bad economic circumstances, the works council might have a higher propensity to be on the employee side of their dual representation. This follows indirectly from the statement of Jirjahn (2010: 494) that "adverse economic conditions increase workers' taste for representation." In his article, he refers to install-

ment of a works council. This increasing taste can however also be interpreted as a trigger for (existing) works councils to better defend employee rights. Also, the chances of finding a new job elsewhere are lower in bad economic times, as stated above. Therefore, workers need more protection in these economic circumstances. We thus expect that works councils will do their best to protect employee interests in adverse economic times, and protect employees from employer opportunism.

Hypothesis 2b. *Works council presence leads to less involuntary quits in bad economic times.*

3.3.3 Hires

We expect hires to be positively influenced by Dutch works councils in good economic times. Previous studies that take hires into account, reveal mixed effects. For example, Frick and Sadowski (1995) report no direct effect of works councils on hires. Addison et al. (2001) show that works council presence influences hires negatively. They state that this effect occurs because of the protection of insiders in the organization. This notion was supported by the negative effect on employment growth found by Addison and Teixeira (2006). As indicated in our introduction, this effect was contradicted by Jirjahn (2010), finding a positive effect of works councils on employment growth.

Contrary to Addison et al. (2001), we argue that works councils in the Netherlands do not necessarily protect insider interests, because of their dual task in representing employee interests as well as the interests of the organization. If more hires are better for the organization, and do not threaten the position of incumbent workers, there would be no reason for works councils to oppose hires. Taking into account the dual task of the works council, we argue that works councils, thinking about the continuity of the organization, would welcome, rather than oppose, new hires.

A second argument to expect a positive impact of works council presence on hires is the signaling effect works councils could have on potential new employees. A positive effect of works council presence on recruitment success, measured by the vacancy rate, was found by Backes-Gellner and Tuor (2008). They argue that having a works council increases the overall attractiveness of the organization, because works councils signal job security and a good work atmosphere.

Hypothesis 3a. *Works council presence leads to more hires in good economic times.*

As described above in the section on involuntary quits, we expect works councils to react differently in times of harder economic circum-

stances, and take up a more protective role. In adverse economic times, organizations hire less people. Therefore, we do not expect works councils to have a positive effect on hires in these situations. Works councils might take up a more controlling role, monitoring management to not make hiring decisions that are not sensible, or unfair towards current employees, such as hiring more agency workers while at the same time laying off employees. This is in line with the argument of insider protection as suggested by Addison et al. (2001); they indeed find a negative effect on hires, as does Dilger (2004).

Hypothesis 3b. *Works council presence leads to less hires in bad economic times.*

Our conceptual model is presented in Figure 3.1.

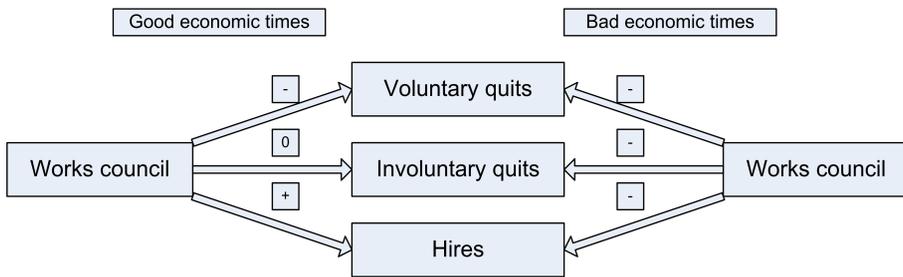


Figure 3.1: Conceptual model of the effects of works council presence on labor turnover

3.4 Methods

3.4.1 Data and measures

We test these hypotheses by using data from the Labour Demand Panel of the SCP (Sociaal en Cultureel Planbureau, or the Netherlands Institute for Social Research). These data have been gathered by OSA from 1990 until 2008, interviewing samples of organizations every two years by means of a face-to-face interview and a written questionnaire. Further waves (from 2010 onwards) are done by the SCP. In the current study, we use two of the available waves with relevant information on works councils, namely those of 1999 and 2001. In other waves, the organizations have not been asked whether they have a works council or not.

Let us assume the date of data collection is at time t . The questions providing the independent variables are based on the previous year ($t-1$).

However, the collected labor turnover (LT) variable is based on the number of people who joined and left the organization at the end of the year before that ($t-2$). In order to not run into causality problems (regressing the labor turnover variable of $t-2$ on variables of $t-1$), we decided to use the dependent variable of a later wave (wave $t+2$, giving us labor turnover at time t) and regress this variable on the independent variables of $t-1$, for the same organizations. The graphical representation of our data structure is presented in Figure 3.2. The bold lined boxes indicate the variables used in the analyses. Defining our variables like this enables us to make causal inferences, and not just look at cross-sectional relations.

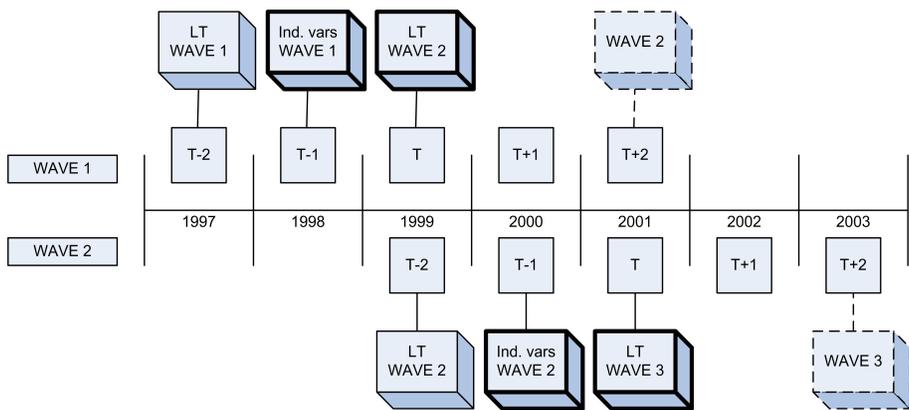


Figure 3.2: Explanation of used dependent variable labor turnover (LT), in waves 1999 and 2001

Our dependent variables are *Voluntary quits*, *Involuntary quits*, and *Hires*, in 2001 and 2003. Voluntary quits are measured by the percentage of people who left voluntarily in the focal year, based on the number of employees at the end of the year before. Involuntary quits are based on the percentage of layoffs in the focal year, based on the number of employees in the former year. Hires are measured by the percentage of people who entered the organization, based on the number of employees at the end of the year before. These turnover measures do not take into account departures due to death, ending of (temporary) contracts or internal turnover.

We hypothesized different effects to occur in the two years under study, because different economic circumstances were prevalent in those years; 1999 was an economically good year, while in 2001 the economic conditions declined. Figures from Statistics Netherlands show that in 1999 there was high economic growth (3.9 per cent), combined with moderate inflation. Furthermore, there was an increasing demand for labor, and the

highest consumption growth (4.4 per cent) for 20 years (Statistics Netherlands, 2000). In 2000, the economy was still growing, but was substantially less expansive than in 1999. Also, in the second half of 2000, the world economy declined (Statistics Netherlands, 2001). This trend continued in 2001, in which there was a rapid economic decline in the world, having effects for the Netherlands as well (Statistics Netherlands, 2002). GDP growth decreased from 4.0 to 1.3 per cent, far below the average of 2.7 per cent that the Netherlands had since the 1970s. Additionally, employment increased more slowly in 2001. Furthermore, partly caused by the terrorist attacks on the USA, consumer trust went down in the Netherlands.

The consequences of these economic changes are confirmed by our data. In 2001, there are less voluntary quits (5.03 per cent) than in 1999 (7.84 per cent; see Table 3.1). This confirms the argument that in worse economic times, people are less likely to leave their jobs, because they are less likely to find a new job (quickly). The latter is confirmed by the figures on hires, which indicate that there were more hires in 1999 (13.84 per cent) than in 2001 (10.03 per cent). In good economic times, organizations have a higher demand for labor than in bad economic times. The overall percentage of involuntary quits is low across both years, but slightly higher in 2001 (0.50 per cent in 1999; 0.64 per cent in 2001).

For the independent variables, we describe the descriptive statistics of the sample for hires, because this is the biggest sample that we take into account. The descriptive statistics for the sample of voluntary and involuntary quits are largely similar, and can be found in Appendix B.2. The variables may show different patterns over the two years due to several factors. First, the economic conditions may cause differences, as explained above. Second, contrary to 2001, the questionnaire did not ask organizations below 35 employees whether they had a works council or not. Therefore, these organizations are missing in the 1999 sample. Third, a new sampling strategy was introduced in the 2003 wave ($t+2$); the face-to-face interview was canceled, and replaced by two telephone interviews and a written questionnaire. The questionnaire was only sent to those organizations participating in the second telephone interview, and response was low. The written questionnaire was the one containing, among other things, the labor turnover questions, leading to a lower response on these variables.

In the category of **industrial relations** variables, we include the *Presence of a works council*, measured by a dummy (1 if present). In 1999, 84 per cent of the organizations have a works council. In 2001, this percentage is 53 per cent. The first is rather high, while the latter is rather low. The percentage of organizations in the Netherlands that has a works council

is around 70 per cent (Van der Veen et al., 2002). This, however, refers to organizations that employ 50 or more employees and thus are obliged to have a works council. Besides, the compliance with the Works Council Act increases with size; larger organizations tend to have a higher compliance rate (Van der Veen et al., 2002). The high number in 1999 can be explained by the exclusion of organizations below 35 employees, making it more likely the remaining (larger) organizations have a works council. Furthermore, a higher amount of larger organizations are observed in this sample; here, 83 per cent concerns organizations employing more than 50 employees. The low percentage in 2001 can be explained by the relatively large number of smaller organizations in the sample; 72 per cent of the sample includes organizations below 50 employees. In these organizations, works councils can be installed voluntarily.

To control for those organizations that voluntarily have a works council (smaller than 50, but having a council), we include the variable *Compliance smaller than 50* (9 per cent in 1999; 28 per cent in 2001). Next, we also control for organizations that have to comply with the law, but do not comply (*Non-compliance*; 8 per cent in 1999; 3 per cent in 2001). Unfortunately, we do not have information about union membership or presence. We do have information on the number of organizations following a collective labor agreement. However, we do not include this variable, because 90 per cent of the organizations follow such an agreement, and there is much overlap with the works council variable.

We control for a large number of variables that have been found to be affecting labor turnover (Holtom et al., 2008; Cotton and Tuttle, 1986; Muchinsky and Morrow, 1980), such as economic and demographic variables at the firm level. The data we use are limited in the sense that not all the variables are provided by a stable number of respondents; some variables have a large number of missing values. We therefore make a selection of variables, including organizational characteristics, workforce characteristics, and market characteristics. In the selection of the variables, we base our choices largely on the work of Frick (1996), Addison et al. (2001), and Van den Berg et al. (2011a), who studied the effect of German works councils on labor turnover, and Dutch works council effects, respectively.

The first **organizational characteristic** is the organization *Size*, measured by number of employees. The mean size in 1999 is 249, and in 2001 it is 107. We expect size to have a negative effect on all types of turnover, following earlier findings (e.g., Addison et al., 2001; Frick, 1996), reporting that larger organizations show lower organizational turnover. However, this effect might differ for very large organizations. In order to test for this, we take into account the squared term, which is found to be positive in most cases (Addison et al., 2001; Jirjahn, 2010). A positive sign of

the squared term indicates that the upward sloping part of the parabolic function is in the range of large organizations.

The second organizational characteristic is the *Advancement of technology*, which is measured by including a continuous variable, ranging from 0 to 3, from old to new technology. New technology has been found to positively influence hires (Jirjahn, 2010), and to negatively influence departures (Addison et al., 2001). The *Age of the organization* might also be an important indicator of labor turnover, as shown by Addison et al. (2001), and Frick (1996), reporting negative age effects on departures and hires, respectively. In 1999, the mean age of organizations is 32 years; in 2001, it is 27 years. Furthermore, *Industry* dummies are included. Organizations in different industries might differ in characteristics and accordingly also differ in their performance, and probably in their use of works councils. This variable is built up out of nine industries, five in the private sector and four in the public sector, is based on standard codes of Statistics Netherlands, and is added to the analysis in the form of dummy variables. Some categories are representative for the Dutch population of organizations at that time ("industry and agriculture", "construction", "transport", and "other services"); the industry "commercial, catering and repair" was underrepresented, as was "business services", and the industries "care", "government", and "education" are overrepresented. In the current chapter, contrary to Chapter 2, we are able to take both public and private organizations into account, because there is no ambiguity in the interpretation of the dependent variables, opposed to the ambiguity arising in measuring productivity.

We control for a large number of **workforce characteristics**, because these have been shown to be important in determining labor turnover (e.g., Cotton and Tuttle, 1986). The variables are measured by share of the workforce in a particular category, multiplied by the midpoint of the range of that category, summing up over the categories. The *Educational level* of the workforce can have positive effects on turnover; higher educated people are more likely to leave (Cotton and Tuttle, 1986). In Table 3.1 the variables we based our measurement on are listed. People with higher *Tenure* are less likely to leave, similar to older people (*Age*). We expect a negative effect of *Contract hours*; more contract hours leads to less turnover.

Staffing was measured by three categories (fitting, understaffing and overstaffing). In 1999 and 2001 most organizations worked with fitting staff (58 and 77 per cent respectively), but still 33 per cent had understaffing in 1999. In 2001, this was 19 per cent. Overstaffing happened less often; 9 and 4 per cent in 1999 and 2001, respectively. We expect both overstaffing and understaffing organizations to have higher turnover, in an attempt to get back to a fitting staff; overstaffing will lead to more involun-

tary quits, and understaffing will lead to more hires. The use of *Temporary contracts* is expected to lead to higher turnover (e.g., Addison and Teixeira, 2006): 86 per cent of organizations use temporary contracts in 1999, and 64 per cent in 2001.

Skills of workers are regarded as important in influencing turnover, because skilled workers are more valuable to the organization. Furthermore, the skills might have been invested in by the organization (organizational-specific training), generating a hold-up situation for both parties. This might lead to a lower chance that the organization will dismiss skilled employees (Frick, 1996) and a lower chance that skilled workers will leave, because it is harder to use their skills elsewhere. We have information on *Unskilled work*. This type of work is mostly done by lower educated employees. Following from this, we expect that making use of unskilled work leads to more labor turnover. In 1999, 72 per cent of organizations use skilled work; in 2001, 58 per cent do so. Furthermore, we control for *Overtime worked*, which is likely to lead to a positive effect on hires and a negative effect on departures and *Shiftwork*, which is likely to lead to negative effects on both hires and departures (Addison et al., 2001); in 1999, 69 per cent of organizations let employees work (paid) overtime; in the next wave, this is 48 per cent. The amount of shiftwork in organizations is 31 and 17 per cent in 1999 and 2001, respectively.

Giving people more autonomy over their work, by placing them in *Autonomous task groups*, makes them less likely to leave (Muchinsky and Morrow, 1980). In the first wave, 56 per cent uses autonomous task groups; in the second, this is 69 per cent. Whether the *Personnel is equipped for future work* (yes or no) is expected to have a negative effect on overall turnover (58 and 80 per cent answered yes in 1999 and 2001, respectively).

The last category of control variables involves **market characteristics**. We included a wage variable, measuring the *Level of the lowest wages*, indicating whether organizations pay the minimum wage, 0-10 per cent above the minimum wage, or more than 10 per cent above the minimum wage. In 1999, these percentages are 12, 27 and 52, respectively; and in 2001 they are 7, 24 and 69 respectively. We expect higher wages to lead to less turnover (Cotton and Tuttle, 1986; Muchinsky and Morrow, 1980), even though Addison et al. (2001) and Frick (1996) find no wage effects. Being *Sensitive to the business cycle* is expected to be positively related to dismissals, and negatively related to quits (Frick, 1996), because people are less likely to leave in uncertain times. In 1999, 44 per cent are not sensitive to the business cycle, whilst 31 per cent are slightly sensitive, and 24 per cent are very sensitive. In 2001, these percentages are 45, 38, and 17 respectively. The last control variable measures the *Expected changes in employment* for the coming two years (51 per cent expects no changes, 6 per cent expects a

decrease, and 44 per cent expects an increase in 1999; in 2001, 53, 10, and 37 per cent are found in the respective categories). This variable is expected to have a positive effect on dismissals if people expect a decrease in employment (Frick, 1996), and a negative effect on quits because people are less likely to leave in harder times (Doellgast, 2008).

As **model controls**, we included a dummy to control for possible outliers. In terms of age, most organizations in our samples range from 0 to 50, with a large number of younger organizations, and a peak that can be 102 and older. There were 13 organizations with a value of 102 for age in 1999, and 9 in 2001. Because these organizations can be 102 or older, we included a dummy *D_age* to control for a possible biased effect of age.

Table 3.1: Descriptive statistics Hires

	1999				2001			
	Mean	SD	Min	Max	Mean	SD	Min	Max
<i>Dependent variables</i>								
Hires	13.84	9.77	0	60.32	10.03	9.84	0	54.29
Voluntary quits (N= 125 & 128)	7.84	7.88	0	45.10	5.03	6.27	0	31.43
Involuntary quits (N= 111 & 179)	0.50	1.81	0	17.07	0.64	2.55	0	22.22
<i>Industrial Relations characteristics</i>								
Works council presence	0.84	0.37	0	1	0.53	0.50	0	1
Non-compliance	0.08	0.27	0	1	0.03	0.16	0	1
Compliance smaller than 50	0.09	0.29	0	1	0.28	0.45	0	1
<i>Organizational characteristics</i>								
Size	248.55	386.65	28	3000	106.64	386.57	5	4162
Advancement of technology	1.83	0.80	0	3	1.56	0.73	0	3
Age organization	31.94	31.08	3	102	27.17	26.38	1	102
<i>Industry</i>								
Industry and agriculture	18.62				20.22			
Construction	3.72				6.01			
Commercial, catering, repair	5.85				4.92			
Transport	4.26				5.46			
Business services	9.04				4.37			
Care	34.04				24.04			
Other services	2.66				10.93			
Government	14.36				7.10			
Education	7.45				16.94			
<i>Workforce characteristics</i>								
<i>Education level workforce, share with:</i>								
University/college education	29.27	28.35	0	100	29.18	33.84	0	100
Higher secondary education	34.00	23.25	0	90.16	31.53	27.91	0	100
Lower secondary education	29.54	25.96	0	98.75	32.41	30.38	0	100
Lower primary education	7.19	14.86	0	93.33	6.87	14.43	0	80.77
<i>Tenure workforce, share with:</i>								
Tenure < 5 years	34.21	22.30	0	100	36.23	22.38	0	100
Tenure 5 - 10 years	27.50	15.68	0	75.80	25.76	18.25	0	85.71
Tenure > 10 years	38.29	21.65	0	100	38.01	25.05	0	100

Continued on next page

Table 3.1 – *Continued*

	1999				2001			
	Mean	SD	Min	Max	Mean	SD	Min	Max
<i>Age workforce, share:</i>								
Younger than 20 years	1.90	4.15	0	39.47	3.35	8.73	0	64.81
Between 20 and 29 years old	18.35	12.60	0	73.56	20.45	17.93	0	80
Between 30 and 39 years old	31.90	10.54	7.48	80.33	27.81	15.64	0	100
Between 40 and 49 years old	30.01	11.66	0	73.33	27.77	17.02	0	90
Older than 50 years	17.84	10.69	0	51.40	12.66	11.91	0	60
Older than 55 years					7.95	8.70	0	50
<i>Contract hours, share with:</i>								
No agreed contract hours	23.90	38.38	0	100	2.17	11.33	0	100
0 to 11 contract hours	7.11	13.10	0	95.10	7.98	12.51	0	57.14
12 to 23 contract hours	15.24	14.18	0	83.30	17.79	17.94	0	78.38
24 to 34 contract hours	17.85	18.85	0	92.40	19.95	23.02	0	100
35 or more contract hours	35.89	33.81	0	100	52.11	34.24	0	100
<i>Staffing</i>								
Fitting staff	57.89				77.05			
Understaffing	32.98				18.58			
Overstaffing	9.04				4.37			
Temporary contracts	0.86	0.35	0	1	0.64	0.48	0	1
Unskilled work	0.72	0.45	0	1	0.58	0.50	0	1
Overtime	0.69	0.47	0	1	0.48	0.50	0	1
Shiftwork	0.31	0.33	0	1	0.17	0.31	0	1
Autonomous task groups	0.56	0.50	0	1	0.69	0.46	0	1
Personnel equipped fut. work	0.58	0.49	0	1	0.80	0.40	0	1
<i>Market characteristics</i>								
<i>Level of lowest wages</i>								
Until minimum wage	20.74				7.10			
0-10% above minimum wage	27.13				24.04			
More than 10% > min. wage	52.13				68.85			
<i>Sensitivity to business cycle</i>								
No/Hardly	44.15				45.36			
Slightly	31.38				37.70			
Yes/Very much	24.47				16.94			
<i>Expected changes in employment</i>								
No changes expected	50.53				53.01			
Expected decrease	5.85				9.84			
Expected increase	43.62				37.16			
<i>Model controls</i>								
D_age	0.07	0.25	0	1	0.05	0.22	0	1
Inverse Mills ratio	0.53	0.17	0.19	0.95	1.04	0.22	0.69	1.67
	N = 188				N = 183			

The data suffer from selectivity on the turnover variables, our dependent variables. In 1999, 31 per cent did not answer the question regarding departures (involuntary and voluntary), and 30 per cent did not answer the question regarding hires. In 2001, these percentages were much higher, namely 69 per cent for both categories. This might be due to the new sampling strategy mentioned above. To control for the selectivity, we perform

a Heckman two-step analysis (Heckman, 1979). In the first step, we estimate a probit model, with a number of non-zero exclusion restrictions. The dependent variable is whether or not the questions of labor turnover were answered. Subsequently, an *Inverse Mills ratio* is calculated and inserted into the regression of interest in the second step. Including this term controls for the selectivity bias that could have occurred. If this term is significant, it indicates that there is a selectivity effect in labor turnover, meaning that only specific firms have replied to the question. In the current sample, we see that larger organizations are less likely to respond, as well as organizations that went through a reorganization. If the term is negative and significant, it means the estimates would have been underestimated, and vice versa if the term is positive and significant.¹

3.4.2 Data analysis

To estimate the models for voluntary and involuntary layoffs, we conducted Tobit analyses (Tobin, 1958), because we have dependent variables that are limited in range, in the sense that they have corner solution responses (Wooldridge, 2003). This means, in our case, that labor turnover is zero (no turnover) in a large number of cases, but continuously distributed above this limit. Conducting an OLS regression could lead to biased estimates. In our case, there are large numbers of organizations that do not dismiss any employees or where no employees voluntarily leave. In 1999, 14 per cent of organizations has no voluntary quits, and 70 per cent has no involuntary quits. In 2001, 40 per cent has no voluntary quits, and 84 per cent has no involuntary quits. Thus, both types of quits have a substantial number of zeroes, involuntary quits even more so than voluntary quits. Therefore, the Tobit model is the best approach to estimate these models. Because the Tobit regression is a combination of a probability and a regression model, estimated by Maximum Likelihood, we divided some of the variables by 100 to make sure they have similar measurement levels. For hires, we chose to do an OLS analysis because the variable was more normally distributed, even though organizations with zero hires do occur in the sample.

The interpretation of Tobit coefficients differs from that of OLS estimates. The interpretation of the signs is the same as for OLS; a positive or negative effect of a variable on both the probability of labor turnover and the amount of labor turnover. However, for the size of the effect, we can not simply interpret the beta coefficients, because they give the partial effects on the latent variable labor turnover. We are interested in the

¹ Results of the probit analyses can be found in Appendix B.1.

size and sign of the effect of the characteristics on labor turnover. In the results section, we report the average marginal effects of the independent variables on the unconditional expected value of labor turnover.

As McDonald and Moffitt (1980) have shown, this effect can be divided into two parts: 1) the change of y above the limit, weighted by the probability of being above the limit; and 2) the change in the probability of being above the limit, weighted by the expected value of y if above. This has been coined the McDonald-Moffitt decomposition. The probability of being above the limit is called the adjustment factor, and is obtained by evaluating the explanatory factors at their mean values. The adjustment factor can be used to adjust the betas from the Tobit analyses, so that they can be compared to the OLS betas (Wooldridge, 2003). If the adjustment factor approaches 1, the Tobit coefficients become similar to the OLS coefficients.

As mentioned above, in German research, endogeneity can be a problem, in the sense that bad economic times may lead to the establishment of a works council (Jirjahn, 2010). However, we argue that because works councils in the Netherlands are established because of legal size obligations and are usually not initiated by employees in other situations, endogeneity is no problem in the current study. Our data support this. When looking at the change between the two waves, 1999 and 2001, we can see that from 637 organizations (those present in both data waves without missing values), 31 changed their status from having no works council to having a works council. This is almost 5 per cent. From these, 29 per cent went through a reorganization, and 71 per cent have not ($\chi^2 = 2.71$, $p = 0.10$; note that this borderline significant effect is in the opposite direction than the endogeneity argument assumes). From the total group ($N = 637$), 43 per cent went through a reorganization. This seems to indicate that reorganization does not lead to establishing a works council. Furthermore, of the 31 changing organizations, 81 per cent of the organizations are in size category 20-99, indicating that they come closer or beyond the legal threshold of 50 employees for installing a works council (the relationship between a change in size and a change in works council status is indicated by a chi-square statistic of $\chi^2 = 14.34$, with $p = 0.03$). These results suggest that indeed, in the Netherlands, works councils are not established because of the bad economic circumstances of the organization.

We estimated different models to get to the optimal specification to explain hires. There was a tradeoff between number of variables and number of observations. Some questions were not completed by all organizations. We chose a model with more variables but less observations, because the control variables turned out to be important for the effect of works coun-

Table 3.2: Correlation matrix Hires 1999

	1	2	3	4	5	6	7	8	9	10	11	12
1. Hires 1999												
2. Works council presence	-0.11											
3. Non-compliance	0.17**	-0.66***										
4. Compliance <50	-0.06	0.14*	-0.09									
5. Size	0.01	0.20***	-0.11	-0.17**								
6. Size ²	0.01	0.10	-0.06	-0.07	0.91***							
7. Advancement of technology	0.06	0.00	0.04	0.04	0.07	0.06						
8. Age organization	-0.07	-0.04	0.01	-0.08	-0.01	-0.01	0.07					
9. Education level workforce	0.14*	0.23***	-0.11	0.21***	0.05	0.02	0.13*	0.01				
10. Tenure workforce	-0.35***	0.14*	-0.11	-0.06	0.12*	0.05	0.06	0.17**	-0.04			
11. Age workforce	-0.26***	0.24***	-0.13*	0.15**	0.02	0.01	-0.01	0.15**	0.25***	0.41***		
12. Contract hours	-0.04	0.04	-0.13*	0.04	0.00	0.01	0.02	0.06	0.07	-0.02	0.01	
13. Staffing	0.03	0.04	-0.02	-0.02	-0.02	0.15**	0.09	0.25***	0.10	-0.02	0.06	0.09
14. Temporary contracts	0.11	0.31***	-0.10	-0.03	0.15**	0.09	0.08	-0.06	0.19***	-0.14*	0.08	0.01
15. Unskilled work	-0.05	0.11	-0.13*	0.11	0.12*	0.10	0.02	-0.04	-0.10	0.10	0.05	0.01
16. Overtime	-0.12*	0.10	-0.01	-0.23***	0.17**	0.12*	0.03	0.08	-0.28***	0.10	0.07	-0.10
17. Shiftwork	0.15**	0.04	-0.07	-0.02	0.11	0.07	0.00	0.05	-0.22***	-0.13*	-0.24***	0.04
18. Autonomous task groups	-0.02	-0.05	0.02	0.13*	-0.18**	-0.15**	0.05	-0.12	0.17**	-0.14*	-0.05	-0.02
19. Personnel equipped for future work	0.08	-0.09	0.09	0.01	0.02	0.05	0.01	-0.16**	0.05	0.03	0.08	-0.03
20. Level of lowest wages	-0.18**	-0.10	0.13*	-0.10	-0.22***	-0.23***	0.11	0.16**	-0.18**	0.12*	0.15**	-0.07
21. Sensitivity to business cycle	-0.17**	-0.07	0.07	-0.04	-0.10	-0.13*	0.07	0.14*	-0.15**	0.23***	0.13*	-0.05
22. Expectations for employment	0.14*	-0.03	0.10	0.00	0.01	0.05	0.11	-0.07	0.13*	-0.16**	-0.06	0.02
23. D_age	-0.03	0.06	-0.08	-0.09	0.03	0.07	-0.02	0.62***	0.09	0.08	0.11	0.17**
24. Inverse Mills ratio	0.13*	0.10	0.04	-0.13*	0.48***	0.34***	-0.01	-0.03	-0.07	-0.03	-0.15**	-0.14**
14. Temporary contracts	0.04	0.09										
15. Unskilled work	-0.04	0.05										
16. Overtime	0.09	0.05	-0.11									
17. Shiftwork	-0.06	0.09	0.06	-0.07								
18. Autonomous task groups	-0.11	-0.03	-0.02	-0.16**	-0.02							
19. Personnel equipped for future work	-0.09	-0.10	0.00	0.00	-0.06	-0.04						
20. Level of lowest wages	0.00	0.03	-0.17**	0.24***	-0.11	-0.08	0.07					
21. Sensitivity to business cycle	0.05	0.01	0.00	0.15**	-0.09	-0.08	-0.02	0.17**				
22. Expectations for employment	0.11	0.08	0.10	0.03	-0.16**	0.05	-0.01	-0.06	-0.02			
23. D_age	0.08	-0.13*	-0.07	0.09	0.00	-0.10	-0.07	0.02	-0.06	0.04		
24. Inverse Mills ratio	0.15**	0.13*	0.15**	-0.04	0.22***	0.00	0.01	-0.15**	-0.02	0.00	-0.14**	

N = 188

*** p<0.01, ** p<0.05, * p<0.1

cil presence on hires. Without these control variables (such as age, tenure, and contract hours), works council presence was non-significant. However, the sign was still positive, and the effect size for the works council variable for the analysis on hires did not change drastically (the effect size varied between 0.014 ($N=381$) and 0.075 ($N=188$)). We also tried to include other variables such as gender, performance pay, work pressure and the like. They had no effects on the analyses; therefore, we left them out.²

The models estimated for involuntary quits are somewhat problematic. A number of variables have to be left out, because there is no variation on the quits variable (e.g., no involuntary quits in several industries). Furthermore, the number of zeroes is large, and the variation above zero is small. By estimating a Tobit model with a limited number of independent variables, we hope to partly solve these problems. However, the results need to be interpreted with caution.

There are no multicollinearity problems, indicated by the VIF (variance inflation factor) values, and no suspicious correlations. The correlation matrices are given in Tables 3.2 and 3.3 (1999 and 2001). We again only report the correlation tables for the sample of the analyses on hires.³

All analyses have been conducted in Stata 11 (StataCorp, 2009), and weighted according to firm size and industry. The weights were calculated based on population information of size and industry from Statistics Netherlands.

² We also estimated a model including the same independent variables for all dependent variables in an attempt to specify a general model. However, we had to employ a reduced model for layoffs, because the model did not otherwise converge. We therefore left out control variables for industry, wage, and compliance with the Works Council Act. However, if we were to compare these models with those for hires and voluntary quits, we would miss important control variables, which is indicated by the drop in the R^2 . For voluntary quits in 1999, no significant effect for works council presence was found. In the model where we leave out control variables, the sign changes from positive to negative. This indicates that the model is not robust in sign, but is robust in (in)significance. In 2001, the significance of works council presence decreases to the 0.1 level. For the model testing involuntary quits in both years, there are no differences. For hires in 1999, the reduced model leads to the works council variable becoming insignificant, although the sign stays positive (from 0.075 to 0.002; $N = 188$). In 2001, the sign changes, but the effect stays insignificant. The results of the Robustness checks can be found in Appendix B.4.

³ The correlation matrices for voluntary and involuntary quits show very similar correlations; these results can be found in Appendix B.3.

Table 3.3: Correlation matrix Hires 2001

	1	2	3	4	5	6	7	8	9	10	11	12
1. Hires 2001												
2. Works council presence	-0.09											
3. Non-compliance	0.15**	-0.18**										
4. Compliance <50	-0.08	0.59***	-0.10									
5. Size	0.11	0.22***	-0.01	-0.14*								
6. Size ²	0.13*	0.11	-0.02	-0.07	0.93***							
7. Advancement of technology	0.08	0.01	0.06	-0.11	0.20***	0.17**						
8. Age organization	-0.10	0.03	-0.01	-0.05	0.08	0.04	0.05					
9. Education level workforce	0.00	0.27***	-0.08	0.34***	-0.04	-0.02	0.01	-0.11				
10. Tenure workforce	-0.45***	0.11	-0.16**	-0.08	0.06	0.01	-0.14*	0.22***	0.03			
11. Age workforce	-0.17**	0.30***	-0.06	0.17**	0.07	0.03	-0.12	0.01	0.26***	0.40***		
12. Contract hours	-0.22***	-0.07	0.12	-0.23***	0.06	0.01	-0.04	0.07	-0.18**	0.20***	0.15**	
13. Staffing	-0.01	0.07	-0.02	-0.07	0.07	0.01	-0.05	-0.06	0.00	0.08	0.13*	0.24***
14. Temporary contracts	0.16**	0.24***	0.12*	-0.07	0.17**	0.09	0.16**	-0.06	0.23***	-0.04	0.24***	0.06
15. Unskilled work	0.15**	0.13*	0.01	0.01	0.00	-0.06	0.03	0.00	-0.16**	0.05	0.09	-0.06
16. Overtime	0.14*	0.11	0.18**	-0.20***	0.17**	0.11	0.14*	0.05	-0.24***	-0.03	0.03	0.15**
17. Shiftwork	0.08	0.11	0.04	-0.01	0.12*	0.07	0.18**	0.03	-0.17**	-0.07	-0.05	-0.14*
18. Autonomous task groups	-0.01	-0.03	-0.03	0.04	0.04	0.06	0.05	0.03	0.19***	0.04	-0.07	-0.03
19. Personnel equipped for future work	-0.05	-0.09	-0.08	0.01	-0.09	-0.02	0.03	0.01	-0.03	-0.19**	-0.10	-0.05
20. Level of lowest wages	-0.30***	0.000	-0.06	-0.13*	-0.01	0.01	-0.15**	0.07	-0.07	0.14*	0.11	0.21***
21. Sensitivity to business cycle	0.08	-0.10	0.11	-0.12*	-0.01	-0.05	0.09	0.04	-0.18**	-0.05	-0.04	0.21***
22. Expectations for employment	0.23***	-0.01	0.03	0.03	0.11	0.12	0.23***	-0.06	-0.03	-0.16**	-0.03	-0.07
23. D_age	0.02	0.06	-0.04	-0.03	0.12	0.08	0.03	0.65***	0.01	0.04	-0.06	-0.01
24. Inverse Mills ratio	0.05	0.44***	0.09	-0.12	0.33***	0.18**	0.09	-0.09	-0.06	-0.03	0.11	0.10
14. Temporary contracts	0.08											
15. Unskilled work	-0.06	0.08										
16. Overtime	0.11	0.20***	0.15**									
17. Shiftwork	0.01	0.08	0.23***	0.22***								
18. Autonomous task groups	-0.04	-0.02	-0.01	-0.15**	-0.12*							
19. Personnel equipped for future work	-0.20***	-0.06	-0.15**	-0.12	-0.03	-0.13*						
20. Level of lowest wages	0.12	-0.05	-0.24***	0.13*	-0.12*	-0.01	-0.03					
21. Sensitivity to business cycle	0.10	-0.04	0.11	0.11	-0.08	-0.06	-0.12	-0.03				
22. Expectations for employment	0.08	0.06	0.12	0.04	0.05	-0.07	0.05	-0.25***	0.09			
23. D_age	-0.02	0.06	-0.01	0.04	0.01	0.04	-0.01	0.06	0.02	-0.04		
24. Inverse Mills ratio	0.15**	0.29***	0.15**	0.29***	0.18**	-0.03	-0.07	0.03	0.08	0.02	-0.05	

N = 183

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

3.5 Results

3.5.1 Voluntary quits

Tables 3.4 to 3.6 show the results of the analyses. Figure 3.3 shows the reported effects compared to the hypothesized effects. For voluntary quits, based on exit-voice theory, we expected a negative effect of works council presence in good as well as bad economic times i.e., less people leaving voluntarily. The Tobit analysis, for which 17 observations are left-censored, shows that there is no significant effect of works council presence in good economic times, although the sign points into the expected negative direction. The adjustment factor for the marginal effects of works council presence is high (0.91 at value 0, and 0.87 at value 1). This means that the results are most probably very similar to OLS estimates, which is likely because a relatively low percentage (14 per cent) is left-censored.

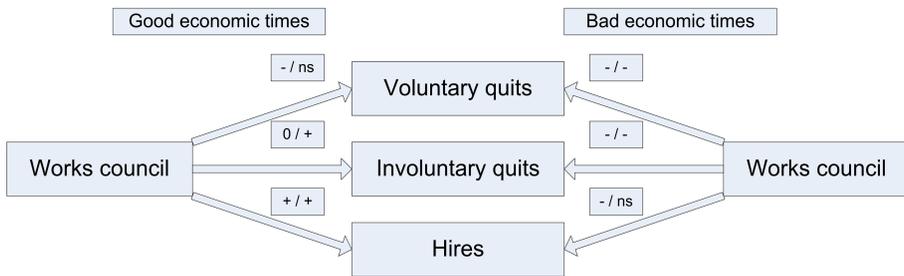


Figure 3.3: Findings on the effect of works council presence on labor turnover

A larger percentage is left-censored in the 2001 sample (40 per cent), leading to adjustment factors of 0.95 and 0.23 for the marginal effects at both values of works council presence. In bad economic times, we do indeed find the expected negative effect. Interestingly, in bad economic times voluntary leaves are higher in those organizations that have a works council but less than 50 employees. The effects for works councils are thus different in different types of organizations. In those where works councils are voluntarily installed, voluntary quits are higher. In these cases, works councils might actually, like in Germany, be installed because of bad organizational performance. Or, the other way around, downsized organizations might still have a works council, even though they are now downsized to below the threshold of 50 employees. These could both be indicators of organizations going through hard times. Characteristics of these organizations might be a driver for employees to leave.

In good economic times, organizational characteristics can lead to less

people leaving; in larger organizations, less people leave, as well as in organizations with highly advanced technology. However, these factors show no effects in 2001. Understaffing is a reason for employees to leave under both economic conditions. The workforce characteristics show different effects in good versus bad economic conditions. The higher educated the workforce is, the more likely employees are to leave in good economic times. In good economic times, they have a higher probability to find work again. The older the workforce, the less people voluntarily leave in good times. Older workers probably do not want to risk the chances of not finding a job elsewhere anymore. Furthermore, organizations that use shiftwork, have a higher percentage of voluntary quitters in good times. In bad economic times, shiftwork leads to less voluntary quits. This indicates that shift workers might have alternatives in good times, while they do not in bad times, and hence prefer to stay with the organization. Also, in bad times, the number of hours worked per week has a negative effect. The use of temporary contracts, as expected, leads to higher voluntary quits in bad times.

Table 3.4: Explaining Voluntary quits 1999 and 2001 (Tobit)

	1999	2001
<i>Industrial Relations characteristics</i>		
Works council presence	-0.009 (0.030)	-0.064*** (0.022)
Non-compliance	0.024 (0.026)	-0.009 (0.021)
Compliance smaller than 50	-0.003 (0.027)	0.054*** (0.020)
<i>Organizational characteristics</i>		
Size	-0.171*** (0.065)	0.026 (0.092)
Size ²	0.063* (0.033)	-0.017 (0.050)
Advancement of technology	-0.312*** (0.098)	0.049 (0.065)
Age organization	-0.047 (0.029)	-0.002 (0.026)
Industry dummies	Included	
<i>Workforce characteristics</i>		
Education level workforce	0.552*** (0.154)	-0.060 (0.106)
Tenure workforce	-0.011 (0.030)	-0.039* (0.022)

Continued on next page

Table 3.4 – *Continued*

	1999	2001
Age workforce	-0.734*** (0.205)	0.065 (0.106)
Contract hours	0.022 (0.055)	-0.227** (0.109)
<i>Staffing</i>		
Understaffing	0.037** (0.018)	0.036*** (0.011)
Overstaffing	0.007 (0.027)	0.022 (0.022)
Temporary contracts	-0.012 (0.026)	0.054*** (0.010)
Unskilled work	-0.014 (0.016)	0.005 (0.009)
Overtime	0.005 (0.021)	0.004 (0.009)
Shiftwork	0.064*** (0.024)	-0.036** (0.018)
Autonomous task groups	0.003 (0.018)	-0.007 (0.010)
Personnel equipped for future work	0.021 (0.014)	0.012 (0.014)
<i>Market characteristics</i>		
<i>Sensitivity to business cycle</i>		
Slightly	0.071*** (0.023)	0.004 (0.011)
Yes/Very much	0.035 (0.023)	-0.012 (0.016)
<i>Expectations for employment</i>		
Decrease	-0.032 (0.028)	-0.028* (0.016)
Increase	-0.040*** (0.014)	-0.014 (0.010)
<i>Model controls</i>		Included
Observations	125	128
Left-censored at 0	17	51
F	8.22***	4.07***

Average marginal effects on the unconditional expected value

Standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Sensitivity to business cycles leads to more quits in good economic times, while an expected increase of employment leads to less quits in good economic times, when compared to no changes in employment. This is surprising, because expected increases in employment might lead to better prospects for jobs. In bad economic times, an expected decrease in employment leads to less voluntary quits, where chances on the labor market would probably reflect the expectations for employment.

3.5.2 Involuntary quits

We expected involuntary quits to not be influenced by works council presence in good economic times, because works councils do not have direct influence on layoff policies involving individual workers (Backes-Gellner et al., 1997). The adjustment factors are very low in all cases (0.00 at no works council presence and 0.013 at works council presence in 1999, and 0.036 and 0.0007 for both values in 2001). This indicates there are large numbers of zeroes in the samples, and Tobit analyses are warranted.

Contrary to our expectations, we found a significant effect of works council presence on involuntary quits in good economic times. This effect goes even further than the argument of Backes-Gellner et al. (1997), stating that works councils do not oppose dismissals in bad economic times. Our findings namely suggest that works councils support dismissals.

This might be due to works councils being able to have a positive influence on the social plan negotiations, and obtaining the requested severance pay, because organizations have more resources in good economic times. Because people can more easily find another job, they prefer the benefits of the social plan over staying in the company in some cases. As stated above though, the models for explaining involuntary quits need to be interpreted with caution.

We hypothesized that, in bad economic times, collective layoffs might become more threatening, and works councils might take up a role protecting employee interests, leading to less involuntary quits. Our data support this expectation: we find a negative effect of works council presence on involuntary quits.

Older organizations have more involuntary quits. In good times, size has a positive effect. This goes against our expectation that size has a negative effect on all types of turnover. The effect might be due to the fact that the 1999 sample consists of only few small organizations below 35 employees. Furthermore, for really large organizations, indicated by the squared term of size, the effect turns negative. In bad economic times, more advanced technology leads to less layoffs. This is against expectations, because technology might replace human capital in bad economic

times, leading to more layoffs. However, possibly, advanced technology makes these organizations less vulnerable in bad economic times, having to dismiss fewer employees.

Table 3.5: Explaining Involuntary quits 1999 and 2001 (Tobit)

	1999	2001
<i>Industrial Relations characteristics</i>		
Works council presence	0.006*** (0.002)	-0.011* (0.006)
<i>Organizational characteristics</i>		
Size	0.043*** (0.010)	-0.003 (0.013)
Size ²	-0.019** (0.008)	0.003 (0.003)
Advancement of technology	0.008 (0.009)	-0.076* (0.039)
Age organization	0.009** (0.004)	0.034*** (0.010)
<i>Workforce characteristics</i>		
Education level workforce	-0.050*** (0.019)	-0.036 (0.039)
Tenure workforce	-0.007* (0.004)	-0.010 (0.008)
Age workforce	-0.028 (0.019)	0.019 (0.049)
Contract hours	-0.013** (0.006)	-0.028 (0.025)
<i>Staffing</i>		
Understaffing	0.008*** (0.002)	0.005 (0.006)
Overstaffing	0.016*** (0.004)	0.003 (0.007)
Temporary contracts	-0.003 (0.003)	-0.001 (0.004)
Unskilled work	-0.002 (0.002)	0.012** (0.005)
Overtime	-0.010*** (0.003)	0.002 (0.005)
Shiftwork	-0.005* (0.002)	-0.008 (0.007)
Autonomous task groups	0.007*** (0.002)	0.008 (0.006)

Continued on next page

Table 3.5 – *Continued*

	1999	2001
Personnel equipped for future work	-0.001 (0.001)	0.005 (0.006)
<i>Market characteristics</i>		
<i>Level of lowest wages</i>		
0-10% above minimum wage	0.001 (0.003)	-0.031** (0.013)
More than 10% above minimum wage	0.007*** (0.003)	-0.023** (0.011)
<i>Sensitivity to business cycle</i>		
Slightly	0.006*** (0.002)	0.011** (0.005)
Yes/Very much	0.005** (0.002)	0.015** (0.007)
<i>Expectations for employment</i>		
Decrease	-0.000 (0.003)	0.006 (0.005)
Increase	0.001 (0.002)	-0.004 (0.006)
<i>Model controls</i>		
	Included	
Observations	111	179
Left-censored at 0	78	151
F	3.44***	6.86***

Average marginal effects on the unconditional expected value

Standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

The workforce characteristics mainly influence involuntary quits in good economic times. In bad economic times, only organizations with unskilled work have a higher level of dismissals; the other workforce characteristics do not reveal significant effects. In good times, a higher educated workforce leads to fewer dismissals. Higher tenure and a higher number of weekly hours worked also leads to fewer dismissals. Not having a fitting staff, in terms of under as well as overstaffing, leads to higher involuntary quits. Making use of temporary contracts and overtime work, is associated with less involuntary quits. Making use of autonomous task groups, leads to more involuntary quits. This might be due to an increase in efficiency that is associated with a share of redundant employees.

In good economic times, paying more than 10 per cent above the minimum wage leads to more layoffs, but to less layoffs in bad economic times. The same effect in bad economic times was found for paying 0 to 10 per cent above the minimum wage. Organizations that can pay their workers higher wages might not be influenced by the bad economic circumstances,

and might even in some way benefit from these. Sensitivity to the business cycle leads to more dismissals under both economic conditions.

3.5.3 Hires

We expected a positive effect of works council presence on hires in good economic times, and a negative effect in bad economic times. The first hypothesis is confirmed. Works councils have the task to take into account the continuity of the organization, and therefore they are likely to be open to new hires in times of economic prosperity. We hypothesized that, in times of economic downturn, works councils might change their open attitude and take up a more protective role. We, however, did not find an effect here; works councils do not have an effect on hires in bad economic times (see Table 3.6). In those organizations where works councils have not been installed where they should have been (non-compliance), we also find positive effects for hires in 1999. However, for those organizations that installed a works council, but are smaller than the works council installment threshold of 50, a negative effect on hires was found in 1999. As suggested before, in these cases, the reason for installing the works council might indicate bad performance, influencing the number of hires in an organization.

Workforce characteristics are important determinants of hires, both in good and bad economic times. The education level of the workforce has a positive effect on hires in both cases. The tenure of the workforce leads to less hires in both cases. The use of temporary contracts leads to less hires in good economic times, but more hires in bad economic times. This might indicate that organizations depend increasingly on temporary (agency) workers in bad economic times. The use of autonomous task groups is associated with less hires in good economic times, but with more hires in bad economic times. In bad economic times, the older the workforce, the more hires. The higher the amount of hours worked per week, the lower the number of new hires. Also, understaffing affects new hires positively. Furthermore, the use of overtime leads to more hires. This might indicate that organizations with employees who have to work overtime are not doing so poorly in bad economic times, and still need hires compared to other organizations. The market characteristics are solely important for hires in bad economic times; we only observe wage effects. Organizations paying more than the minimum wage have less hires in bad economic times.

Table 3.6: Explaining Hires 1999 and 2001 (OLS)

	1999	2001
<i>Industrial Relations characteristics</i>		
Works council presence	0.075** (0.033)	0.009 (0.030)
Non-compliance	0.085* (0.046)	0.028 (0.041)
Compliance smaller than 50	-0.144*** (0.035)	-0.039 (0.033)
<i>Organizational characteristics</i>		
Size	-0.147 (0.124)	-0.111 (0.074)
Size ²	0.103 (0.089)	0.037 (0.022)
Advancement of technology	0.041 (0.160)	-0.017 (0.110)
Age organization	-0.009 (0.041)	0.004 (0.036)
Industry dummies	Included	
<i>Workforce characteristics</i>		
Education level workforce	0.596*** (0.221)	0.271* (0.161)
Tenure workforce	-0.102** (0.050)	-0.090*** (0.032)
Age workforce	0.101 (0.336)	0.318* (0.179)
Contract hours	-0.047 (0.083)	-0.224** (0.105)
<i>Staffing</i>		
Understaffing	-0.024 (0.024)	0.055** (0.024)
Overstaffing	-0.036 (0.032)	-0.018 (0.033)
Temporary contracts	-0.088** (0.039)	0.027* (0.016)
Unskilled work	-0.021 (0.024)	-0.002 (0.013)
Overtime	-0.032 (0.025)	0.038** (0.016)
Shiftwork	0.031 (0.051)	0.052 (0.032)

Continued on next page

Table 3.6 – *Continued*

	1999	2001
Autonomous task groups	-0.059** (0.023)	0.037** (0.017)
Personnel equipped for future work	0.022 (0.022)	-0.026 (0.019)
<i>Market characteristics</i>		
<i>Level of lowest wages</i>		
0-10% above minimum wage	-0.015 (0.050)	-0.073** (0.037)
More than 10% above minimum wage	-0.058 (0.042)	-0.136*** (0.033)
<i>Sensitivity to business cycle</i>		
Slightly	-0.025 (0.027)	0.018 (0.015)
Yes/Very much	-0.040 (0.025)	0.023 (0.032)
<i>Expectations for employment</i>		
Decrease	-0.039 (0.049)	0.011 (0.030)
Increase	0.018 (0.022)	-0.003 (0.017)
<i>Model controls</i>		
	Included	
Constant	0.175 (0.124)	0.183** (0.079)
Observations	188	183
Adjusted R ²	0.366	0.532

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

3.6 Discussion

This study aims to answer the question as to whether or not works councils have an effect on departures and hires, and whether these effects differ in different economic times. We have done so by using a Dutch data set with information on labor turnover and works council presence in a good and a bad economic year (1999 and 2001, respectively).

In terms of voluntary quits, we found no significant effects in good times, and negative effects in bad times. Works councils can, in bad times, thus prevent employees from leaving. The latter effect is in line with German studies (Frick, 1996; Backes-Gellner et al., 1997; Doellgast, 2008), and yields support for the exit-voice theory (Hirschman, 1970; Freeman and Medoff, 1984). Works councils give employees a voice option, making it

more attractive for employees to stay than to choose the exit option and leave.

Regarding involuntary quits, we found a positive effect of works council presence in good economic times and a negative effect in bad times. We argued that Dutch works councils, because of their focus on organizational continuity, ascribed to their dual task, would not necessarily oppose layoffs in good economic times. However, this effect suggests that, in good economic times, works councils even support layoffs. This might indicate that works councils place the organizational interests above those of the (individual) employees in good economic times. Backes-Gellner et al. (1997) indicate for German works councils that only in 25 per cent of the cases the works council actively expressed their discontent with layoffs, and in the other 75 per cent gave their consent or even cooperated. The authors conclude that, regarding labor turnover, works councils can be termed "institutionally efficient" with regard to their dual task (Backes-Gellner et al., 1997: 334). However, in their study, organizations with works council presence still reveal less layoffs than those without works councils. The fact that we find opposite effects under bad economic conditions leads us to conclude that in the Netherlands works councils are also, or even more, institutionally efficient.

Effects of works councils on layoffs have not been studied extensively. Furthermore, our data contain only a small number of layoffs, leading to problems in the analyses. Future research should test the effects of works councils on layoffs in more detail. In the light of the current financial crisis, layoffs might occur more often, enabling more robust analyses. The influence of timing of layoffs is also interesting in that respect. Our findings suggest that the works council chooses to support layoffs at the "right" time, when the prospects for the employees are not dramatic, and when the resources for a social plan are present.

Concerning hires, our analysis revealed positive effects in good economic times, and no effects in bad economic times. These effects are contrary to those of Addison et al. (2001), who argue that insider interests are protected by the works council, leading to less hires. Because of the strong dual task of Dutch works councils, they are likely to be in favor of hires in good times, because they support the continuity of the organization. In bad economic times, we expected a negative effect on hires, because of insider protection by the works council. The results show that works councils do not have any effects in bad economic times. The strong dual task might lead to works councils not opposing hires, even in bad economic times.

The differences found between Germany and the Netherlands in terms of works council effects might be due to different legal provisions, leading

to different outcomes. Even though both German and Dutch works councils have far-reaching legal rights, the Dutch case is different to the German counterpart, because of different legal and institutional provisions. First, the dual task of the works councils leads to a focus on the continuity of the organization as a whole in good economic times, while defending employee rights might dominate works council actions and interests in worse economic times. This dual task might be more triggered in the Netherlands than in Germany, because the works council is installed on different grounds than in Germany i.e., not on employee initiative, but on legal prerequisites regarding size. This leads to the second difference, namely the assumption that endogeneity is not a problem in Dutch works council analyses, which has been confirmed by our data. Future research should compare Germany and the Netherlands in a systematic way.

There are some limitations, most of which are data driven. The analyses suffered from selectivity on the dependent variable and from missing observations in the independent variables. We were therefore limited in the analyses we could perform. Furthermore, the current study was based only on the question whether a works council was present or not. This effect might be vulnerable to take up effects of other characteristics. Although we did our best to avoid this by including a substantial number of control factors, a dummy variable does not provide information on organizational processes that underlie the effects. Therefore, it would be interesting to study the influence of different characteristics of works councils, not only their presence. The 2010 data wave of the Labor Demand Panel includes the question on works council presence plus a few items regarding attitude. Future research could compare results by analyzing these new data.

A third limitation of this study was that data on smaller organizations concerning works councils were not gathered in 1999. These organizations would be interesting to study, because they might have chosen to have a works council voluntarily, meaning there might be endogeneity problems in these organizations, as Jirjahn (2010) argues for German councils.

We are also aware of the ways in which the dependent variables might influence each other e.g., quits might be influenced by hires, and recently hired employees might quit because there is no optimal fit between the person and the job or organization. However, we deliberately chose to leave these considerations out, so as to get a clear picture of the effects of works council presence on labor turnover.

Chapter 4

An experimental study into the influence of works council advice on managerial decision-making^{*}

4.1 Introduction

Managerial decision-making is an important topic in the organizational literature. Manager's decisions are critical for the overall performance of an organization. Therefore, the way managers make their decisions is a topic of interest to many in the field of organization sciences (e.g., Jönsson, 1990; Huse, 2005). Clearly, a large number of factors can influence managerial decision-making, such as the history of the organization, the economic position of the organization and the characteristics of the decision-maker, and also the opinions of other parties such as shareholders and employees. This paper focuses on the latter type of influence - i.e., the influence of employee voice on managerial decision-making.

Employees can organize themselves in several ways. Well-known cases of formal codetermination arrangements are works councils as established by law in Germany and the Netherlands. In the Netherlands, for example,

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organizations are obliged to have a works council when they employ more than 50 employees. By law, Dutch works councils operate in the interest of the organization as a whole, including employees and shareholders. They have several legal rights, such as the right of being informed on relevant matters in the organization (right of information), the right to give advice on organizational matters (right of consultation), and the right of approval on certain issues (right of consent) (Van den Berg et al., 2011a). The current paper mainly focuses on the right of consultation, which is the legal right to give advice to the management team on a wide variety of organizational matters.

Research has not yet succeeded in agreeing upon the influence of employee participation on organizational decision-making and performance. Employee participation in decision-making is studied in several forms, ranging from management-initiated participation to formal legal representation by works councils. Employee participation is believed to reduce uncertainty (Bordia et al., 2004), to lead to mutual understanding and the reverse of distrust (Sørensen et al., 2011), and to generate positive effects on organizational performance (Pereira and Osburn, 2007). In the US, this positive performance effect was also found, because work alienation (powerlessness, and meaninglessness) is lower in organizations in which managers have a more participative leadership style (Sarros et al., 2002). The current study starts from a specific form of participation, namely works councils as these operate in, e.g., Germany and the Netherlands.

Many empirical studies on works councils relate to Germany. For example, Addison et al. (2001) find a positive effect of the presence of a works council on the organization's productivity, but a negative impact on profitability. Wever (1994) compares five cases, and reports that, overall, works councils can make effective strategic choices, and hence can be beneficial to management. For the Netherlands, Van den Berg et al. (2011a) show that a positive attitude of management toward the works council is associated with higher organizational performance, as perceived by management. Jirjahn and Smith (2006) in a German study, also emphasized that a positive cooperative relationship between the management team and works council is important for the functioning of the works council, and accordingly for the works council's performance effect. Furthermore, to implement new organizational forms, management might need the support of works councils (Singe and Croucher, 2003). Thus, when works council advice is taken into account, its relationship to management might improve, leading to positive performance effects. Mellizo et al. (2011), in their laboratory study, find that higher employee participation leads to higher effort.

Other studies emphasize the possible negative impact of works coun-

cils. That is, works councils are often perceived as institutions that delay the decision-making process, and do not have enough know-how to add useful insights that might facilitate effective strategic decision-making (Van den Berg et al., 2011b). The commitment to actively work together with employee representatives is sometimes perceived as "dead time" by management (Tourish and Hargie, 1998). This is probably one of the reasons why managers try to control the decision-making process and outcomes on key issues, even if they are willing to let employees participate in the decision-making process (Mizrahi, 2002).

So, we know from earlier work in the industrial relations and management literature that works councils operate better in some circumstances than under other conditions. The support representatives receive from managers is an important element in this set of contingencies (Jirjahn and Smith, 2006). Hence, it is fair to say that the state of the art in the works council literature is associated with substantial ambiguity. Both in theory and in view of the evidence, we can find claims that the effect of employee participation on organizational decision-making can be negative, neutral or positive.

Therefore, further work on the underlying antecedents of the effect of employee participation is warranted. Here, in order to do so, we adopt an experimental design, seeking to unravel some of the mechanisms underlying the impact of employee participation on managerial decisions. Of course, such an experimental design implies a stylized representation of reality. We believe that this methodology is complementary to model building and field work by offering the opportunity to study fundamental processes associated with employee participation and managerial decision-making in a controlled setting in which variables of interest can be manipulated.

A line of experimental work that is somewhat related to the issue of employee participation focuses on bargaining relations such as arbitration (Dickinson, 2004; Magenau, 1983) and conflict relationships between employer and employee (Bacharach and Lawler, 1981). However, this line of research mainly deals with labor unions, and not at all with works councils or other internal forms of employee representation.

Another line of experimental work involves the impact of advice on decision-making, but these studies consider advice from similar parties, not parties with potentially conflicting interests like management teams and works councils (Schotter, 2003), or focus on advice that was paid for, not given for free (Nyarko et al., 2006), such as in the case of a works council. Furthermore, in these studies, there is mostly a choice whether or not the participants would like to receive advice (e.g., the Judge Advisor System (JAS) studies of Schrah et al. (2006) and Sniezek et al. (2004)). Next

to this choice, it is also easier for participants to ignore the given advice. In the current study, this is more difficult, because the works council has the legal right to give advice, which makes it harder for management to ignore that advice.

A third line of experimental work deals with advice in the context of conflicts of interest (e.g., Loewenstein et al., 2011; Sah et al., 2011). This line of experimental work claims that disclosing a conflict of interest can lead to a higher likelihood to follow the advice. In the current study, the possible conflict of interest is implicit in the relationship of management and works council. Their interests are not necessarily similar, because works councils have the dual task to represent employees as well as the organization as a whole.

We believe that employee participation implies a specific type of advice that features three critical characteristics: (a) the interests of the advisor and advisee are not necessarily similar, (b) the advice is not associated with a fee, and (c) the advice is more difficult to ignore. The study of types of advice that are so specific requires tailor-made experimental designs. In the current study, we are interested in:

Research question 1. *Do managers take into account the advice they receive from their works council?*

Research question 2. *Which fundamental mechanisms explain the direction of the effects?*

It is important to look into these questions, because it can help to gain more insights into the fundamentals that underlie the functioning of employee participation in organizations, and the way their contribution is handled by managers. Of course, given that our study is the first of its kind, to the best of our knowledge, we cannot do more than offer preliminary insights into a few of the potential fundamentals. We are aware of the fact that a number of factors, such as the role of labor unions and the internal functioning of works councils, cannot be taken into account because we make use of a stylized experimental design. Before introducing our experimental protocol and the empirical findings in detail, we first set the scene by briefly introducing our setting and hypotheses. Starting point is the huge amount of experimental literature on competitive versus cooperative behavior in the human world.

4.2 Theory

4.2.1 Cooperative versus competitive behavior

The current paper uses the Prisoner's Dilemma setting (see, for example Boone et al., 1999; Akkermans et al., 2010), because this resembles the essence of the relation between a works council and management team. Formally, Dutch works councils operate in the interest of the organization as a whole. However, in practice, issues of conflict abound in the interaction between management and works council (see e.g., De Jong and Van Witteloostuijn, 2004), because the interests of employees are not always aligned with those of the organization.

We adopted the ideal-typical Prisoner's Dilemma setting of a Bertrand duopoly with product homogeneity and nonbinding capacity constraints. The key decision involves price (P). We took an adapted version of the experimental setting of Boone et al. (1999), as this offers a stylized context to explore the effect of works council advice on managerial decision-making in a competitive marketplace. Two identical firms operate in the same market. They can choose between a high price (H) and a low price (L). Price is the only factor consumers base their choice of product/seller upon. Profit depends on both firms' choices - i.e., the choice of the focal as well as the rival manager, denoted as firm 1 and 2, respectively. We illustrate the nature of the game by taking the actual payoffs as used in our experiment. There, the profit combinations are as follows:

1. $P1H = P2H$. Both firms' managers choose to set a high price. This results in a profit of 90 for both firms.
2. $P1L < P2H$. The manager of firm 1 opts for a low price, while rival 2 sets a high price. The customers of firm 2 will move to firm 1, offering the lower price. Firm 1's profit is 120, while firm 2 earns nothing.
3. $P1H > P2L$. The manager of firm 1 decides to play high, making all customers run to firm 2, setting a low price. Now firm 2 will make 120, while firm 1 earns nothing.
4. $P1L = P2L$. Both firms' managers select a low price. This results in a profit of 70 for both firms.

Both managers choose their prices simultaneously. Table 4.1 provides the game's payoff matrix.¹

¹ Note that we decided not to include negative payoffs, because we know from be-

Table 4.1: Payoff matrix

		FIRM 2's CHOICE	
		High price	Low price
FIRM 1's CHOICE	High price	(90, 90)	(0, 120)
	Low price	(120, 0)	(70, 70)

Setting a high price would be more beneficial if the other party decides to do so as well. If the other party plays low instead, the manager choosing a high price will earn nothing. Therefore, the Nash Equilibrium is where both decide to set a low price, which is the south-east corner in Table 4.1.

We introduce employee participation by adding a works council that first advises management about their preferred price decision. The above managerial trade-off is mirrored in the works council's advice dilemma. For employees, low wages imply bad news. Low prices often lead to low wages, and thus high prices are more beneficial to the employees, *ceteris paribus*. This *ceteris paribus* clause is critical in our Bertrand duopoly context, however, because the outcome depends upon the choice made by the rival firm. After all, when the manager of the other firm chooses a low price, while the focal firm opts for a high price, wages will drop even more (to zero, in the limit, reflecting layoffs), since there is no production. Therefore, for the employees, there will also be a trade-off between giving a high or a low price advice, depending upon the expectation of the other firm's price choice. With this two-layer Prisoner's Dilemma in place, we have introduced a setting that, potentially, can generate a rich set of outcomes. This setting is needed to fully explore the fundamental works council advice - management team decision interaction.

So, for a manager who needs to make a pricing decision for the product the organization offers to the market, a dilemma occurs. If the manager goes high in an attempt to safeguard high wages in the *ceteris paribus* interest of employees, the firm will be outcompeted if the rival opts for the low price, so reaping the whole market. However, when the rival decides to set a high price, too, both organizations can share the market with maximum joint profit and labor surplus. The Nash equilibrium is to not take

havioral theory that losses loom larger than gains (Kahneman and Tversky, 1979). We preferred to avoid the trigger to play a low price instead of a high price motivated by loss aversion. However, this design decision has the implication that in the Nash equilibrium competitive outcome (both managers playing low) the firms are not that much worse off than in the tacit collusion outcome (both managers choosing high). However, we believe that the risk of not gaining anything (a payoff of zero) is large enough to create a tendency toward playing the Nash equilibrium, *ceteris paribus*.

the risk, but to set a low price to avoid being outcompeted. If both firms opt for the low Nash equilibrium price, though, market-level profits and wages will be minimized. In our stylized setting, the works council is able to give an advice to the manager, so that the manager might reconsider her or his decision. To benchmark the effect of advice, we include two different settings: one in which a works council will give an advice, and one in which the firm does not operate a works council. So, managers in the current experiment can either receive advice or not. When they do receive advice, this can be to play high or low.

We play a finite game to make sure that the Nash equilibrium is the "low price, low price" outcome. In this way, in theory, the incentive to cooperate is absent. This is theory, though. Experimental evidence abounds that many players decide to play high anyway, going against the Nash equilibrium prediction (Boone et al., 1999; Akkermans et al., 2010). To the extent that players are inclined to cooperate, however, experimental evidence reveals that the incentive to do so diminishes throughout the game (Selten and Stoecker, 1986). That is, as the game continues, actors learn about the performance effect of their strategy, in light of the responses of their counterparts. Thus, using extant game theory and evidence from experimental economics, we would expect that players will show a tendency to choose a low price, with an increasing tendency to play low over the course of the game. This is our benchmark prediction in the absence of advice.

4.2.2 The nature of the decision

Employee participation (by means of advice) can have an influence on behavior in games, as Schotter (2003) has shown. He found that (a) subjects tend to follow the advice they receive and that (b) they often prefer the advice above information on which the advice was based. Furthermore, he concludes that subjects who received advice behaved more according to economic rationality theory than their counterparts who did not receive any advice. Schotter's interpretation is that this is probably due to the fact that subjects have longer to consider what to do after receiving advice. Accordingly, they think harder about the problem they are facing. This was also confirmed by the earlier mentioned JAS studies (Sniezek et al., 2004; Schrah et al., 2006). However, we cannot extrapolate these arguments to our setting so easily. Key is that the type of advice in the present study is different from Schotter's and the JAS experiments, because of our focus on the employee-employer conflict of interest (i.e., works council versus management team). Moreover, as in Schotter (2003), the advice can go either way in our setting, to opt for a low or a high price, given the ambiguity

residing in the Bertrand duopoly dilemma.

The two types of advice may well have different effects on the manager. We expect that an advice to play low will increase the likelihood that the manager will have a higher tendency to decide low compared to managers receiving no advice. This expectation is based on the argument of Schotter (2003) that subjects think harder about the problem at hand after receiving an advice, and that this is associated with convergence to economic rationality - in our case, to play Nash. We coin this the *rationality-increasing effect*. Furthermore, following the logic of Schotter (2003) and Hotho et al. (2012), advice might impact on the quality of decision-making. That is, managers are forced to take their time and think harder in the face of the legal obligation to take advice from the works council seriously, and to argue carefully why they decided what they decided. This we refer to as the *scrutiny-increasing effect*. This effect was also studied by Iyengar and Schotter (2008), who found that advice that is costly to ignore stimulates learning.

Hypothesis 1. *Managers receiving advice to play low are more likely to opt for a low price than managers not receiving advice*

The above ignores subtleties such as moral and ethical considerations, and the context in which the decision is made, all of which are known to influence behavior in the laboratory (Levitt and List, 2007). Having a works council in the organization adds a factor to the context of the decision - namely, a social party whose interests have to be taken into account. This is likely to trigger consideration of other-regarding preferences. In such a setting, the manager may well be inclined to take broader moral considerations on board, before making a decision, because s/he is aware that her or his decision has a wider impact than on the owner/shareholder's interest of profit maximization alone. Specifically, the works council will increase the saliency of the interest of the workforce, which may well be to sacrifice some profit for the sake of safeguarding a higher labor surplus. We coin this the *other-regarding effect*. This effect depends on the degree to which altruistic motives are salient.

We believe that when a high advice is given, altruistic motives may well be primed. This effect was, in a different setting, confirmed by Sah et al. (2011), who find that in a situation where conflicts of interest are disclosed, the advisee is more likely to follow the advice, because the knowledge of the other party's interest introduces extra pressure to satisfy the request. Furthermore, the advisee does not want to signal distrust to her/his advisor, and wants to maintain a good relationship in case of a long-term relationship. They name this effect *reluctant altruism*, because

altruistic feelings are triggered, but actors would rather not be in this situation in the first place (e.g., Dana et al., 2006; DellaVigna et al., 2012). We believe the other-regarding effect, together with reluctant altruism, will lead to a higher likelihood of choosing a high price.

Hypothesis 2. *Managers receiving the advice to play high are more likely to opt for a high price than managers not receiving advice*

Next to reluctant altruism, which is triggered by the high advice, a person's characteristics are also likely to influence her or his decision. We therefore also look at altruism as a personal trait, instead of a triggering mechanism. From a large tradition of experimentally exploring individual differences, particularly in psychology, we know that a player's background characteristics may imply a bias to behave competitively or cooperatively. The influence of this altruism, or *other-regarding orientation*, is straightforward. In Beckerian terms, more altruistic people include the interest of others in their utility function, whilst self-regarding or more egoistic individuals do not (see, e.g., Becker, 1991). So, in our setting, we expect managers with an other-regarding orientation to be more likely to take the advice of the works council seriously than their counterparts featuring a self-regarding orientation. Figure 4.1 presents the conceptual model.

Hypothesis 3. *Managers receiving advice are more likely to follow this advice when they are characterized by an other-regarding orientation*

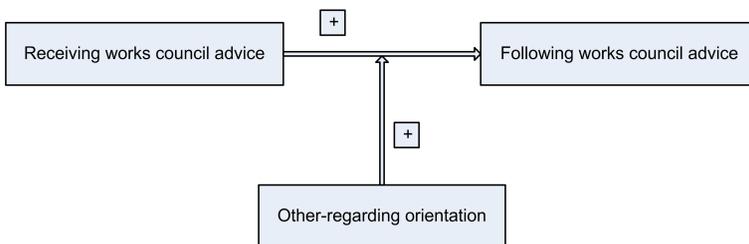


Figure 4.1: Conceptual model of the effect of advice on managerial decision-making

4.3 Methods

4.3.1 Data and measures

We ran six experimental sessions including four treatments: advice-advice, advice-no advice, no advice-advice, and no advice-no advice, where x in

this $x - y$ pair refers to the manager of firm 1 and y to her or his counterpart at firm 2. Four sessions had 20 subjects, one 14 subjects, and one 16 subjects. The latter two sessions had less than 20 subjects due to subjects not showing up ("no-shows"). In total, 110 undergraduate students from different study programs of Utrecht University in the Netherlands participated. Sessions lasted for about three quarters of an hour, and earnings averaged €8.20 per participant (€8.34 in the manager group, €8.07 in the works council group).

The game was played in a computer laboratory, with one computer per participant in an isolated cubicle. The experiment was programmed and conducted with the z-Tree software (Fischbacher, 2007). Subjects were randomly assigned to either the role of the works council representative or the role of the manager in charge of the price decision. Works council representatives were told they were a works council member, having to advise the manager on a price decision. Because the focus of this paper is on the influence of works council advice on managerial decision-making, as reflected in Hypotheses 1 to 3, managers were the target of the analyses reported below.² Therefore, 90 subjects were assigned to the role of manager, and 20 subjects to the role of works council representative. Of these 90 managers, 50 managers received an advice from their works council, and 40 did not. In 60 per cent of the cases, works council representatives advised high. This implies that our data reflect sufficient advice content variation.³

The subjects played 12 periods against an opponent to whom they were randomly matched and with whom they played throughout the whole experiment. Given this and the layout of the laboratory, this guarantees reciprocal anonymity. Both parties received full information regarding the rules of the game (the payoff of both parties, the fact that more than one manager was advised by one works council representative, et cetera). The works council representatives decided upon an advice (a high or low price). They were told that choosing a high or a low price would

² The instructions for the experiment can be found in Appendix C.1.

³ In the context of the current analyses, this information suffices. However, although we only have 20 participants in the role of works council representative, we plan to explore the determinants of high versus low price advice in future work, using the panel structure of our dataset. The reason why we explicitly included participants in the role of works council representatives has to do with current practices in experimental economics. In terms of the ethical codes that should guide experiments, experimental economists follow much stricter guidelines than experimental psychologists, for one reason or the other. Basically, experimental economists do not tolerate any "deception". In our context, this means that we could not "deceive" the subjects by simply telling them to imagine an advising works council. Instead, a player of flesh and blood had to really act as a works council representative.

have several implications. Choosing a high price is beneficial, in principle, but only when the other manager does not play a low price. If the rival firm opts for a low price, wages will drop even more in the focal firm than when both managers choose low. Each works council representative (20, in total) advised more managers (50, in total) at the same time, but they could not advise competitors. The number of managers advised by a single works council representative ranged from two to four managers. This setup mimics a central works council (in Dutch: centrale onderne- mingsraad, or COR), advising business unit managers. The payoff of the works council was not determined by the representative's advice directly, but followed from the decision made by the manager in interaction with that of the rival. The works council benefits most if both managers decide to set a high price.

The payoffs for the firms are shown in Table 4.1 above. In the experi- ment, these payoffs are the firm's profits, which were translated into man- ager's earnings in the following way. The payoffs were represented in so-called ECU points (Experimental Currency Unit points), with an ex- change rate of 100 points = €1. The subjects played a two-player iterative Prisoner's Dilemma game (PD game), where they had to decide upon a price. They thus played a Bertrand duopoly game. After the works coun- cil representative had given an advice (low price or high price), if any, the managers in the "advice" group received their advice. Subsequently, all managers had to decide upon a price. The profits of every decision round were shown after the price decisions had been revealed: in terms of "Your choice", "The other manager's choice" and "Your profit" in that round. The experiment setup is represented in Table 4.2.

Table 4.2: Experiment setup

Experimental group	Control group
Managers receiving advice	Managers not receiving advice
<i>Game:</i>	<i>Game:</i>
12 rounds, matched to manager receiving advice or not receiving advice	12 rounds, matched to manager receiving advice or not receiving advice
N (opponent advice) = 26	N (opponent advice) = 24
N (opponent no advice) = 24	N (opponent no advice) = 16
N total = 50	N total = 40

The dependent variable that is used to test our hypotheses is *Decision*, being the decision the managers made: choosing a low (0) or a high price (1). Table 4.3 shows the descriptive statistics of the variables and Table 4.4 shows the correlations among them. Here we can see that the majority of subjects played competitively: 84 per cent of the participants' decisions were to play low, cumulated over the 11 rounds we analyzed. This can also be observed in Figure 4.2, which shows the ratio of high price decisions of the managers over the 12 periods in the data. Here, the end period effect can be observed as well, as is common in the case of finite horizon games: the mean number of high prices decreases over time. In the first and last round, managers receiving the advice to play high have the highest tendency to choose a high price, and the managers receiving the advice to play low reveal a higher tendency to select a low price. This pattern seems to be less clear in rounds 2 to 11. Remarkably, managers receiving no advice seem to reveal a higher tendency to play high than the managers who received the advice to set a high price.

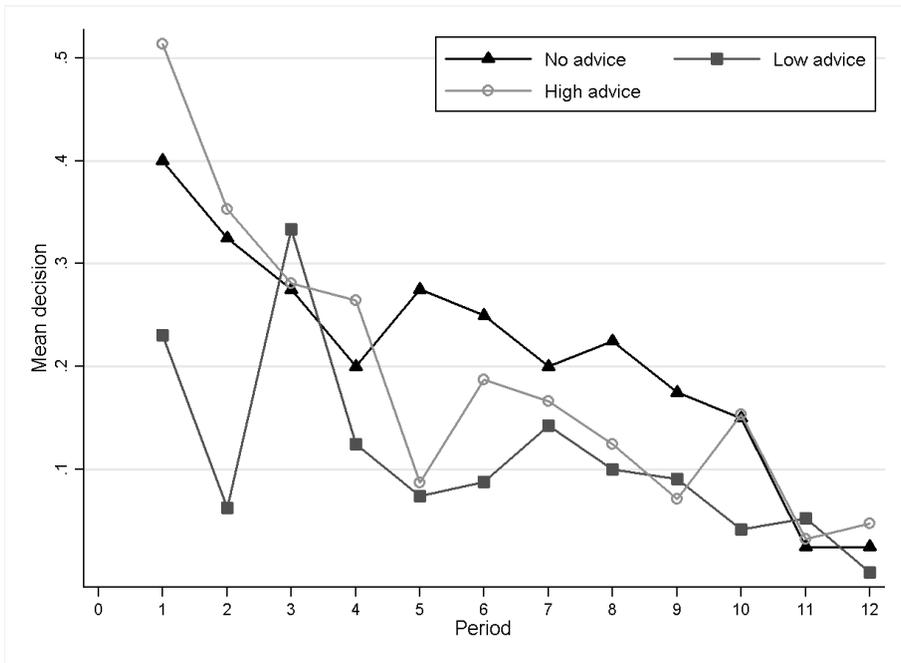


Figure 4.2: Ratio of "high price" decisions over time, by advice types

Our first independent variable is the type of *Advice received*, varying from no advice (0), low advice (1), to high advice (2). Of the subjects who received advice (55 per cent), 40 per cent received a low advice, and 60

per cent received a high advice. This shows a tendency for works council members to choose a high price advice. To measure the individual differences regarding self versus other-regarding *Orientation*, we used the psychological social value orientation typology (Van Lange et al., 1997). This typology classifies subjects in three categories: prosocial, individualistic, and competitive. The first group tends to maximize outcomes for themselves as well as others, striving for equality; the second group seeks to maximize their own outcomes, not taking into account other's outcomes; and the last group aims for relative advantage over others. The social value orientation questionnaire consists of nine questions, in which three forced-choice options are given, reflecting the three types of orientation. We decided against the use of the three discrete categories as our measure, but rather opted to create a continuous variable referred to as *Orientation*, with higher scores reflecting a more other-regarding orientation. The mean score is 3.17, with a range from 0 to 9. To test our third hypothesis, we generated a product term variable of *Orientation* and *Advice received*.

Table 4.3: Descriptive statistics

	Mean	SD	Min	Max
Decision	0.16	0.37	0	1
Advice received	0.88	0.87	0	2
Orientation	3.17	3.52	0	9
Gender	0.68	0.47	0	1
Age	21.04	1.90	17	27
Nationality	0.76	0.43	0	1
Study program	0.23	0.42	0	1
Lag other's decision	0.20	0.40	0	1
Number of the period	7.00	3.16	2	12
<i>N</i> = 990				

We controlled for the *Age* (mean age is 21) of the subjects. Age is known to be positively associated with cooperative behavior. Moreover, we created a dummy variable for having a Dutch (76%) or a non-Dutch *Nationality* (24%). We chose to control for this, because the way Dutch works councils are functioning is characteristic for the Dutch "poldermodel", reflecting a cooperative industrial relations practice. Furthermore, we added a dummy variable to control for the type of *Study program*. Given extant evidence, economics students are expected to behave more competitively than their non-economics counterparts, because they are familiar with the concept of the Nash equilibrium, and are taught to believe in the dominant

Table 4.4: Correlation matrix

	1	2	3	4	5	6	7	8
1. Decision								
2. Advice received	-0.04							
3. Orientation	0.10***	-0.07**						
4. Gender	-0.03	0.08**	0.20***					
5. Age	-0.01	-0.18***	0.04	0.07**				
6. Nationality	0.03	-0.01	0.21***	0.11***	-0.05*			
7. Study program	0.03	-0.12***	-0.14***	-0.29***	0.07**	-0.60***		
8. Lag other's decision	0.42***	-0.09***	0.02	-0.06*	0.04	0.01	0.06**	
9. Number of the period	-0.21***	-0.02	0.00	0.00	0.00	0.00	0.00	-0.23***

N = 990

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

conception of economic agents guided by the self-interest model of utility maximization, which is particularly dominant in IO economics through the assumption of firm profit maximization (Jansen et al., 2007). Of the sample, 23 per cent were economics students.

Furthermore, we controlled for *Gender*. Women were overrepresented in our sample, with 68 per cent of the participants being female. This might be due to female-biased self-selection into experiments (Levitt and List, 2007). A priori, for a wide variety of biological and social reasons, the expectation is that women tend to behave less competitively than men. However, the evidence is mixed (Gneezy et al., 2003). Because women are expected to behave differently from men, women are also expected to have a different leadership style. A meta-analysis on gender and leadership style (Eagly and Johnson, 1990) did not find consistent support for the gender stereotype that women would have a more interpersonal and men a more task-oriented style of leadership, but does report support for differences concerning democratic or autocratic leadership styles. Women tend to have a more democratic and participative leadership style than men, who tend to have a more autocratic and directive style. The association of femininity and a participative leadership style was also made by Madsen and Albrechtsen (2008). Therefore, we expect that women will take the advice of works councils more seriously than their male counterparts.

Because the subjects played against the same participants over all 12 rounds, we must control for the decision made by the opponent in the previous round. Tit-for-tat logic implies that if the opponent played a low price in the previous round, the focal participant is likely to retaliate by playing low, too, in the next round. For a high price, the prediction is unclear. If the opponent played a high price in the previous round, the focal subject might want to play a high price as well, to both benefit from the higher payoff associated with tacit collusion. Alternatively, though, the focal participant might decide to defect from cooperation, leaving the opponent with nothing and reaping the top payoff for her or himself. To control for this effect, we included the *Other's decision (lagged)*. Moreover, because we played a repeated game, learning effects are likely to occur. For instance, subjects may learn that choosing a high price is not always beneficial. We expect that over time cooperation will reduce, as a result, because of the end horizon effect that occurs in a finite Prisoner's Dilemma game (Selten and Stoecker, 1986). This is controlled for by including the *Number of the period* in the analyses.

4.3.2 Data analysis

We performed analyses including the last 11 periods, interpreting the dataset as a panel. Because we take into account the lag of the other's decision, and the first period does not have a lag, we are only able to include the last 11 periods in the analysis. To explain the decision of the managers over time, we used a generalized estimating equation model (GEE) (Liang and Zeger, 1986; Zorn, 2001). The GEE approach is used to estimate population-averaged effects, while random effects models can be applied to estimate subject-specific effects. The population-averaged effect takes into account the averaged treatment effect, regardless of change over time (Hu et al., 1998). In the current paper, this means estimating the rate of subjects choosing a low price after having received an advice to choose low, as compared to subjects who did not receive an advice. The subject-specific model estimates the expected change in the individual probability given a change in treatment (Zeger et al., 1988). In the current paper, this implies that we test the tendency of a subject to choose a low price if the subject would change from no advice to low advice.

The GEE method takes into account the dependence between the measurements by means of a working correlation matrix. The most common types of working correlation matrices are independent, exchangeable, autoregressive (AR1) and unstructured matrices (Lee et al., 2007). Choosing a good working correlation matrix will benefit the accuracy of our estimates. Note, however, that the parameter estimates of interest will also be consistent if the correlation structure is incorrect (Zorn, 2001). The correlation structure can be decided upon based on several grounds. First, substantive reasons related to the structure of the data provide the most important arguments to choose one structure over the other.

Furthermore, the QIC test (quasi-likelihood under the independence model criterion) can help to determine which correlation structure fits the data best. The lower the QIC, the better fit the correlation structure reveals (Hin et al., 2007; Pan, 2001). The QIC for the current analyses indicated that the AR1 (autoregressive) structure is to be preferred (a QIC of 788.98 was found for the "exchange" structure; a QIC of 758.12 was found for the AR1 structure). This is in line with substantive arguments, because our data have a longitudinal character. To see how robust our findings are, we report the results from both GEE and random effects logit analyses. We could not perform a fixed effects (FE) analysis, because only three of the variables are time-varying. Moreover, only 51 of the subjects changed their decision (dependent variable) over time. We performed all analyses in Stata 11 (StataCorp, 2009).

4.4 Results

Table 4.5 shows the results of our analyses for the decision made. We are interested in whether advice has an impact on the decisions that managers make. We expect low price advice to lead to a higher tendency to choose a low price and high price advice to lead to a higher tendency to choose a high price (Hypotheses 1 and 2). The type of advice received is jointly significant in Model 1 ($\chi^2 = 6.06$, $p = 0.05$) and Model 3 ($\chi^2 = 10.58$, $p = 0.01$), indicating that advice matters. However, as compared to the situation in which no advice is received, the two types of advice do not differ significantly from that treatment in Model 1. Receiving an advice to play a high or low price does not seem to matter significantly in Model 1. In Model 3, we see that the effect of receiving a low advice instead of no advice leads to a higher tendency to choose a low price. This is in line with our expectations in Hypothesis 1. The results do not show significant effects for receiving a high advice; we thus find no support for Hypothesis 2. As described in the methods section, the models are associated with different interpretations. Model 1 estimates a population-averaged model, while Model 3 is a random effects logit model. Model 1 indicates that there are no significant differences between the rate of subjects receiving advice and not receiving advice in the decision they make. Model 3 suggests that a change from receiving no advice to receiving a low price advice would increase the tendency of individuals to choose a low price.

The interaction effects are shown in Models 2 and 4.⁴ We find an interaction effect between other-regarding orientation and receiving a low advice. Subjects with a higher other-regarding orientation, receiving an advice to choose a low price, have a higher tendency to decide for a high price than their other-regarding orientation counterparts receiving no advice. This finding goes against our expectation. This gives only partial support for Hypothesis 3. In principle, after all, we would expect an other-regarding orientation to trigger the decision to follow the works council's advice, whether high or low. An interpretation for the non-expected result may be that other-regarding subjects feel inclined to correct the low advice of the works council because they believe that setting a high price is more likely to be beneficial for the works council. Thus, having a high other-regarding orientation leads to a higher tendency to set a high price irrespective of the advice received.

The control variables relating to the characteristics of the subject (age, nationality, study and gender) are insignificant. The significant coeffi-

⁴ We graphed the marginal effects of the interaction, as suggested by Brambor et al. (2006). The graphs representing these effects can be found in Appendix C.2.

Table 4.5: Explaining Decision

	<i>Generalized estimating equations (GEE)</i>		<i>Random effects logit (RE)</i>	
	Main (1)	Interaction (2)	Main (3)	Interaction (4)
Advice received low	-0.841 (0.520)	-2.386*** (0.916)	-1.160* (0.617)	-2.737*** (0.945)
Advice received high	0.008 (0.339)	-0.501 (0.450)	0.211 (0.539)	-0.562 (0.721)
Other-regarding orientation	0.090* (0.053)	-0.016 (0.081)	0.143* (0.076)	-0.018 (0.113)
Orientation*Advice received low		0.347*** (0.134)		0.401** (0.172)
Orientation*Advice received high		0.138 (0.092)		0.220 (0.147)
Gender	-0.257 (0.402)	-0.073 (0.361)	-0.335 (0.587)	-0.177 (0.574)
Age	-0.074 (0.088)	-0.065 (0.085)	-0.062 (0.142)	-0.067 (0.138)
Nationality	0.136 (0.419)	0.079 (0.438)	0.105 (0.752)	0.047 (0.731)
Study program	0.209 (0.457)	0.199 (0.463)	0.302 (0.779)	0.288 (0.757)
Other's decision (lagged)	1.362*** (0.282)	1.399*** (0.275)	1.167*** (0.310)	1.178*** (0.308)
Number of the period	-0.149*** (0.032)	-0.158*** (0.033)	-0.291*** (0.046)	-0.289*** (0.045)
Constant	0.270 (2.003)	0.405 (1.956)	-0.098 (3.153)	0.531 (3.105)
Observations	990	990	990	990
Number of subjects	90	90	90	90
Model χ^2	91.25***	88.78***	77.06***	78.76***

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

cient of other-regarding orientation indicates that the higher the other-regarding orientation, the higher the likelihood of setting a high price. This is in line with the interaction effect of the advice received with orientation. The lagged other manager's decision is significant, as expected: if the other manager played high in the previous round, the likelihood to set a high price in the current round increases. The number of period is significant, too, revealing a diminishing tendency to cooperate over time.

4.5 Discussion

In our stylized experimental setting, advice given by the works council representative has an effect on the decision managers make. On the one hand, as expected, managers receiving a low price advice reveal a higher tendency to indeed set a low price. This confirms the finding of Schotter (2003), who found that receiving advice leads to more economically rational behavior. Playing low is the rational Nash equilibrium choice in our Bertrand duopoly context. The fact that the works council's advice is in line with the rational Nash equilibrium choice makes the tendency to opt for a low price even higher.

On the other hand, however, when moral considerations come into play, meaning that the works council advises the manager to behave cooperatively by playing high, we see that this does not affect the managers' decision, as there is no difference between receiving a high price advice and receiving no advice. We thus do not find reluctant altruism in managers. Sah et al. (2011) state that this effect occurs because of a reluctance to signal distrust to the advisor. However, in our setting, management might not worry about signalling distrust at all. Furthermore, the advice is not necessarily expert advice. To get more insights into the advice process, we should know more about the communication between the management team and the works council.

An opposing explanation can be found in Kuang et al. (2007), who argue that the choice whether or not to follow advice can depend on the motivation of the advisor. They find also that advice is followed, even in the face of dominated options. However, as soon as the advisor is viewed as self-interested, the dominated option is chosen just as often as in the treatment with no advice. In the current experiment, the advised managers could have interpreted the self-interest of the works council to advise a high price as an obstacle and not as a motivation to follow the advice, and might then have decided to go against this by opting for the low price. This would imply that managers do not want to take the works council into account when they feel that the works council will gain from the ad-

vised action, while there is a risk for the manager. It would be interesting to study whether the effect is different when the stakes for the works council are kept neutral. However, in most real-life organizations, the stakes for the works council are not neutral, because they have to represent the workers' and organizational interests. We thus believe that to answer our focal question, the current experimental design is appropriate.

To unravel the mechanisms underlying the effects of advice, we explored an interaction effect with other-regarding orientation. Managers with an other-regarding orientation reveal more cooperative behavior than managers with a self-regarding orientation. This especially holds for managers who are advised to choose a low price. In this case, other-regarding oriented managers even decide to not follow the advice of the works council to play low, but rather opt for a high price. They probably do so because they believe that a high price is more likely to be in the works council's interest. The prosocial behavior of the other-regarding oriented managers might thus be beneficial for the other manager, and perhaps for the works council, depending upon the rival firm's choice. It seems that mostly prosocial behavior affects the decision of managers. This implies that in a context with managers and works councils, a works council would benefit most from a prosocial manager. Again, future research is needed to deepen our understanding of the role of managerial personality traits in the context of employee participation.

A limitation of this study is, of course, that we cannot be sure about the generalizability of our findings. An advantage of the experimental design is its high internal validity. However, further research should explore the robustness of our findings in other experimental settings, as well as in field work. Above, we referred to a few alternative experimental protocols we would like to explore in future work. Moreover, regarding external validity, as Levitt and List (2007: 170) argue, "[k]nowing the sign and plausible magnitude of any biases induced by the lab, one can extract useful information from a study, even if the results cannot be seamlessly extrapolated outside the lab." Clearly, our experimental study is only a first step in revealing some of the fundamental mechanisms involving works council advice. We hope this study will prove an inspiring steppingstone for further exploration into the ways that employee participation can be best used to influence managerial decision-making, and thereby improving organizational functioning, by making use of experimental designs, additional to field work.

Chapter 5

Structural and behavioral determinants of works council members' influence in organizations^{*}

5.1 Introduction

Works councils' influence in organizations is still ambiguous. Research, mostly conducted in Germany, shows positive as well as negative or neutral effects of works councils on organizational performance (e.g. Addison, 2009). The studies mentioned in Addison's book deal with the influence of the works council as a whole on organizational outcome measures. Furthermore, these studies mostly deal with works council *presence*, and not with the characteristics of works councils. It has been found that works council presence may have a positive effect on productivity, a negative effect on labor turnover, and a negative effect on profits (Addison, 2009). These results show that works councils affect organizational outcomes, although the results are mixed, which is usually attributed to the measurement of variables (Mueller, 2011) or the way the data are analyzed (Jirjahn, 2010).

The current study involves the case of a small Dutch non-profit organization with a works council, employing 66 employees. Dutch works councils have far-reaching legal rights, as described in Chapter 1. Recent

^{*}Earlier versions of this paper have been presented at the PREBEM (PhD Researchers in Business Economics and Management) conference 2011 (Rotterdam) and the Academy of Management Annual Meeting 2012 (Boston). We would like to thank Alona Labun for helpful suggestions regarding the questionnaire.

reports on the usage of these rights by works councils have shown that works councils often do not use them to the fullest. This can be due to a lack of need to use their rights, but also to not having knowledge of their rights, or even being opposed by management to use their rights (Van Beurden et al., 2009; Dikker, 2010). However, works council representatives indicate that a underutilization of rights does not always lead to problems, because issues can be solved by communicating with management (Van Beurden et al., 2009). The personal network of works council members, and their relationship with the manager is very important in this. In smaller organizations, opposition from management to works councils using their rights, occurred more often than in larger organizations (Dikker, 2010).

Within the legal framework, works councils need to satisfy certain conditions to be effective. This issue is also raised by Kotthoff (1994) and Frege (2002), who argue that research should focus more on the social context and social order, and that it is important to look at power relations in the context of works councils. Frege even goes so far as to say that research on the economic consequences of works councils "seems to be at a dead end" (Frege, 2002: 239), and that we need more insights in the influence of social relations on attitudes, perceptions, and behavior of works councils and management.

More attention to works councils, beyond only looking at their presence, has been given by Van den Berg et al. (2011a), who look at management's perceptions of works councils. They find that management perceives works councils to contribute to efficiency in 8 per cent of the cases, and to innovation in 11 per cent. These perceptions are influenced by the interaction between management and works councils. Interestingly, the authors find that management perceives works councils most positively if they take a passive stance instead of a proactive or monitoring one. Their study shows that the interaction between management and works councils is of high importance for the performance of works councils. However, the authors do not focus on the frequency of interactions, or on the individual characteristics of the organizational members (employees, works council members, and management). These characteristics are important, because they lie at the basis of the management-works council interactions.

To gain more insights into works councils and their influence in organizational decision-making, we need to open the *black box* of works councils. We believe that to understand the works council, we have to go deeper than the studies on works council presence and management attitude discussed above, and look at the individual works council members and their relationships and behavior, also in comparison to other organi-

zational members. We do this by using structural and behavioral aspects of influence, and argue that the actual use of legal rights depends on the influence of the *members* of that council. To establish an influential works council, the relations of works council members in the organization, and the intention of the members to use their influence are crucial. This paper focuses on individual works council members. We are interested in two questions:

Research question 1. *How influential are works council members in organizations, compared to the other organizational members?*

Research question 2. *How do network position and strategic behavior of works council members affect their influence?*

We first want to determine the influence of the works council members compared to the other members in the organization. After that, we want to gain more insights into what determines works council influence. Influence can be obtained in several ways. We argue that structural as well as behavioral factors play a role in this. Structural factors, because they determine the contacts people have, which can lead to resource availability. Behavioral factors, because it depends on actors' behavior whether they are inclined to use their influence or not. These two determinants can be seen as complementary processes, because as Brass and Burkhardt (1993: 443) state: "structure arises from the actions of people, and these actions are shaped by structure."

Social network research can give more insights into the role of a works council in organizations, not only in their formal role, but more importantly, in their informal role. This approach has not been taken before, neither by industrial relations, nor by social network scholars. There have been studies in this direction, for example the study by Cox et al. (2009) on institutional embeddedness of employee involvement and participation. This study takes into account social pressures and structures, and the study by Rubinstein (2000) showing the importance of communication networks in relation to the local union for the Saturn Corporation. However, they did not take into account individual characteristics of the actors. In our study we look at the network characteristics of the individual works council members. The network data are gathered by having *all* employees of a non-profit organization fill out a questionnaire about their network ties. A unique dataset such as this one, giving us more insights into works council member's structural and behavioral characteristics, has not been previously used in the industrial relations literature.

Psychological research into influence factors can give more insights into the way works council members try to achieve their goals. This has

been studied before by Bennebroek-Gravenhorst and Boonstra (1998), who studied several groups of organizational actors and their use of influence tactics in a period of constructive change. Their study gives an indication of how works councils can use influence. However, the authors also acknowledge that more empirical research is warranted. The current study thus adds to the research on influence tactics on different organizational groups, and does so in a change-free context, i.e. it does not take into account the context of constructive change, which the authors choose as their study context. In answering our research questions, we attempt to show the importance for industrial relations to take into account insights from research into individual (psychological) and network (sociological) characteristics.

The law only does not seem sufficient to make a works council effective. The question however is, what is an effective works council? One of the criticisms of Frege (2002) is that most studies do not focus on what makes an effective works council. For example, is the works council effective if it represents employee rights, or if it contributes to the economic efficiency of the organization? In the current study, we take one step back, and look at the influence of individual works council members on colleagues and managers. In this way, we believe we can grasp one of the basic conditions for an effective works council. We thus assume that a works council, in order to become effective, needs its legal rights, and influential members to use those rights.

We use an MRQAP (Multiple Regression Quadratic Assignment Procedure) analysis to test our hypotheses. In the following section we describe structural and behavioral determinants of influence, followed by hypotheses about the two mechanisms. The methods section describes the case, and the methods used for analyzing it, and is then followed by the results section. We conclude with a discussion.

5.2 Theory

5.2.1 Influence

Power is an important concept in organizations, and has been studied extensively in the organizational literature. The definitions of power, and the conceptualization and measurement of power have varied across different theories. We study influence and make a distinction between power and influence. We argue that influence differs from power in the sense that the latter involves force; you can convince others of doing something by imposing your will on them. We define influence as having the ability to

communicate ideas and convince others of these ideas. It is important to look deeper into several aspects of influence, such as formal versus informal influence.

Formal influence can be regarded as following from the hierarchical position in the organization. For example, a higher position in the organizational hierarchy might mean having more subordinates, or a higher salary. These are examples of an objective way of looking at influence. Informal influence is more difficult to classify, because the bases of informal influence are not disentangled easily. People who have a lower position in the organizational hierarchy might still be very influential when it comes to getting things done or convincing colleagues. This is therefore described as subjective, or perceived influence. In this study, we thus focus on how organizational members are *perceived*.

In the works council context, we argue that informal influence is most important. Works council members are usually not found at the top of the hierarchy. This is due to the fact that managers generally do not take part in works councils because of a possible conflict of interest. Even though we argue that informal influence is more important for works council members, we do acknowledge that formal position might affect perceived influence, also for works council members. The importance of *perceptions* of power is also emphasized by Nienhueser (2009), who states that factual power is important, but it needs to be perceived. According to him, works councils are not yet fully aware of the importance of perceived power.

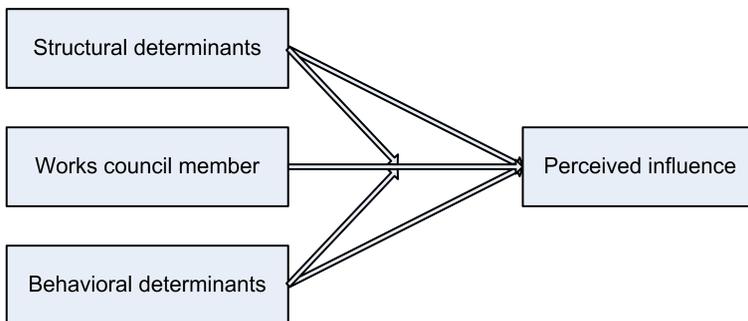


Figure 5.1: Conceptual model of the effect of structural and behavioral determinants on works council influence (towards colleagues and management)

Because works councils have different objectives toward their different network partners (employees and management), we take into account perceived influence on colleagues as well as perceived influence on management. This subjective, informal influence can be actively attained, by

structural and behavioral strategies. We follow Brass and Burkhardt (1993) and Labun et al. (2010) in taking a structural and behavioral approach in determining influence. Our conceptual model is presented in Figure 5.1, and further described in the sections below. We take into account direct and indirect (interaction) effects.

For works councils, the most important source of objective influence is their set of legal rights. However, if works councils have no subjective influence, it will be difficult for them to use these legal rights, because they will receive no information and support from the workforce and management. Because works council members can make use of their legal rights, and can obtain an information advantage by means of their structural position, we expect works council members to have higher perceived influence than non-works council members. We expect this to be the case towards colleagues as well as management.

Hypothesis 1a. *Works council membership leads to more influence towards colleagues, as perceived by other organizational members.*

Hypothesis 1b. *Works council membership leads to more influence towards management, as perceived by other organizational members.*

5.2.2 Structural determinants

Network structure has been important in organizational analysis, because the structure of the network and the network position can be a good indication of the influence a person has in an organization. This influence is obtained by social capital. Social capital can be beneficial for several purposes, such as finding a job (Granovetter, 1973), or receiving a promotion (Brass, 1984). However, it is beneficial only in specific forms and under specific circumstances. Social network analysis can help in distinguishing these forms and circumstances, by looking at the structural characteristics of the network. In this context social capital is defined as "resources embedded in a social structure which are accessed and/or mobilized in purposive actions" (Lin, 2001: 12). The position in the network is important, for example it depends on how many contacts (network ties) a person has, but maybe even more importantly: with whom. These features are described by the notion of network centrality (e.g., Ibarra, 1993).

Network centrality can be measured in different ways, and in different types of networks. For example, we can look at the formal hierarchy in an organization to see how the work flows through the organization; through which ties (e.g., Brass, 1984). However, even though a higher position in the hierarchy is often related to a central network position, centrality can

be differently divided over the organizational members, and studies indicate that the informal structure may be more important to look at than the formal organizational structure (e.g., Ibarra, 1993).

An advantageous network position can mean different things. We distinguish two network concepts that are important in deciding upon the advantages of a network position: brokerage and closure. These two concepts have been the topic of a long debate in social network analysis (e.g., Burt, 2001). An advantageous network position should provide the network members with advantages, because they are better connected. However the question of interest is what it means to be better connected.

Brokerage means that actors in this position fill a structural hole. The actor is in a bridge position, and bridges the gap between (groups of) actors that would have otherwise not been connected (Burt, 1992). The actors can thus only reach each other through the focal person. In this way, the focal actor fills a structural hole, by connecting two (networks of) actors that were not connected before. This bridge position is believed to give influence to a person, because he or she receives non-redundant information. This enables the actor to approach problems from different viewpoints and to control the information that flows through the network (Burt, 2001).

Closure is indicated by a closed network, in which social norms are easy to evolve. The structure is more closed, meaning that the focal actor is connected with others who are also connected to each other. This type of network position is believed to be beneficial, because it stimulates trust (Coleman, 1990). It is less risky to trust people, because the sanction mechanisms in the network facilitate trust. Next to this important feature of the closure argument, information is also an important aspect. Coleman argues that a closed network can save time in acquiring information, because the information can be obtained through the network instead of for example browsing a website.

We use two centrality measures to operationalize the brokerage and closure effects, namely betweenness and closeness centrality, because both measures are related to the use of information in networks. Closeness centrality is a measure of access to others (Brass and Burkhardt, 1993). Closeness centrality is measured by summing all shortest paths of the focal actor to the other actors. This thus includes indirect links, and implies that even actors without a large number of links can be central, because those few links may have a large network. In terms of information advantages, closeness centrality can be regarded as an indicator of how long it will take to spread information through the network. This measure is thus mostly concerned with information access.

Betweenness centrality is a measure of control (Brass and Burkhardt, 1993). It measures the flow of information through actors. If two actors are

connected through only one person, the latter will have control over the information flow of the former actors, and can thus control which information reaches the other. In terms of information advantages, this measure is mostly concerned with non-redundant information.

Several studies show that brokerage is more beneficial for individual performance than closure (Burt, 2001). However, following Labun et al. (2010), who did a similar study, we expect that in this particular network, closure might also be beneficial for exerting influence. Labun et al. (2010) studied a Dutch child care organization, and found that a brokerage position did not lead to more influence in the organization. Their explanation is that this is due to the type of organization and the goal of the organization. The common goal is to help children, and a competitive position might not contribute to this goal. Trust, described as an important feature of closure networks, is more likely to be important to network members in these types of organizations. Here, we study a similar organization, a small non-profit organization for youth psychiatry. In this organization, we have a less competitive environment, with a common goal of helping the youth, so we expect that a position in a closed network leads to higher influence. We expect the effect of closure to be stronger than the brokerage effect, but we do also expect the latter to show a positive effect, because of the above-mentioned arguments. We thus expect an effect for both network characteristics, formulated as a beneficial network position.

Hypothesis 2a. *A beneficial network position leads to more influence towards colleagues, as perceived by other organizational members.*

Hypothesis 2b. *A beneficial network position leads to more influence towards management, as perceived by other organizational members.*

We described above the expected effects for all members of the organization. For works council members, and thus for works council activities, we expect a similar effect towards colleagues, but a different effect towards management. For a works council to function optimally, specific resources are needed. The most important resource works councils need is information. To give management advice, or to give consent to management decisions, works councils need to know what is going on in the organization. The social capital that works councils need can thus be defined in terms of their relations with management and employees in the organization.

Both concepts described above, brokerage and closure, deal with information. For works councils, the types of information involved with both network concepts are relevant. First, spreading information through the network and having access to information, is beneficial in terms of relations with the workforce. Next to that, it is important for the employees to

trust the members of the works council, because they have to represent the employees' interests. On the other hand, having access to non-redundant information gives an advantageous position towards management, because management wants to be informed about the problems that occur on the workfloor, which is possible through the works council. Therefore, we expect two different mechanisms to be beneficial for works council members' network position.

Hypothesis 2c. *A higher closeness centrality leads to more influence towards colleagues for works council members, as perceived by other organizational members.*

Hypothesis 2d. *A higher betweenness centrality leads to more influence towards management for works council members, as perceived by other organizational members.*

5.2.3 Behavioral determinants

Next to the network position in an organization, we argue that not only the possibility to exert influence through structural position, but also the *intention* to exert influence, will have an effect on perceived influence. Several studies have described influence tactics in organizations (e.g. Kipnis et al., 1980; Kyl-Heku and Buss, 1996). The use of these influence tactics depends on a number of variables, such as gender, and organizational position.

Kipnis et al. (1980) find eight influence dimensions through factor analysis. Brass and Burkhardt (1993) select six of these dimensions, which they think are important to test influence in organizations, namely rationality, upward appeal, coalitions, ingratiation, exchange, and assertiveness. They leave out sanctions and blocking - these are explicit negative tactics. We also leave these tactics out, because these tactics are mostly used with self-interested goals, such as salary increases (Kipnis et al., 1980). The current study does not take into account self-interested goals; rather, we are interested in goals of initiating change or improving performance, which relate to works council objectives.

Rationality includes using logical arguments to convince someone, and writing a detailed plan. *Upward appeal* is associated with trying to obtain support from people higher in the organization, and *coalition* forming consists of obtaining coworker or subordinate support to back up a request. *Ingratiation* is associated with making the other person feel good, praising him/her, and acting in a friendly manner. *Exchange* means asking colleagues to do something for you, and promising to do something in re-

turn, or reminding someone of a past favor. *Assertiveness* can be described as setting deadlines for colleagues and reminding colleagues repeatedly of something you want from them. We believe the above mentioned behaviors contribute to more influence in the organization.

Kipnis et al. (1980) revealed that rationality was the most used tactic to exert influence on higher-ranked persons. Furthermore, ingratiation, exchange, and upward appeal were mostly used in trying to convince colleagues, and coalitions were mostly used to influence subordinates. Following from this, we expect that the use of ingratiation, exchange, and upward appeal will lead to more perceived influence on colleagues and the use of rationality as an influence tactic will have a positive effect on perceived influence on management.

Hypothesis 3a. *The intention to exert influence by means of ingratiation, exchange, and upward appeal leads to more influence towards colleagues, as perceived by other organizational members.*

Hypothesis 3b. *The intention to exert influence by means of rationality leads to perceived influence towards management, as perceived by other organizational members.*

For the works council we expect similar effects. Rational discussions and the use of logic were the most reported tactics in trying to initiate change, based on a sample of lower-level managers (Kipnis et al., 1980). We think initiating change is an important task of works councils. Furthermore, although coalitions have been mostly used to influence subordinates, in the context of the specific goal of initiating change, forming coalitions was found to be used to influence colleagues as well as supervisors (Kipnis et al., 1980). Assertiveness was used to obtain this goal only towards subordinates. However, with their legal rights, works councils have a formal instrument to exert pressure in organizational decision-making. Bennebroek-Gravenhorst and Boonstra (1998) studied the use of influence tactics for several organizational groups, including works councils, and reported that works councils use pressure (assertiveness) tactics more often than other organizational actors. We therefore expect:

Hypothesis 3c. *Works council members' intention to exert influence by means of coalition forming, and rationality leads to more influence towards colleagues, as perceived by other organizational members.*

Hypothesis 3d. *Works council members' intention to exert influence by means of coalition forming, rationality, and assertiveness leads to more influence towards management, as perceived by other organizational members.*

5.3 Methods

5.3.1 Data and measures

The data are gathered from a non-profit organization with 66 employees. All employees (including three works council members and two (top) managers) in the organization filled out a questionnaire. The questionnaire consisted of questions regarding personal characteristics, performance perception, familiarity with the works council, and network ties.¹ The network questions were asked by means of a roster method (Wasserman and Faust, 1994), meaning every respondent received a list of all other employees in the organization, and had to indicate for all of them whether there was a network tie. The response rate was 100 per cent. We were allowed to attend team meetings to inform employees about our project and the importance of filling out the questionnaire. Furthermore, we were allowed to contact employees in person to send a reminder for the questionnaire and to convince them of the importance of their participation. We received consent forms from all participants before filling out the questionnaires. Five euro per completed questionnaire was transferred to a charity foundation, which was selected by the organization. Furthermore, we promised and delivered a management summary containing information on employee satisfaction and perceptions, but not the network information. We believe this careful approach (also see Borgatti and Molina (2005) for information on how to ethically do network research), the small incentive of the five euro transfer to charity, and the open attitude of management, helped us to obtain a response rate of 100 per cent.

To put the results into perspective, it is important to know more about the organizational context. The organization under study is a psychiatry organization, employing psychiatrists, psychologists, other therapists, and support staff. The organization is located in the North of the Netherlands, and is spread over four different locations. It is a small organization, which indicates that there are short paths between employees and management. Furthermore, the dominant culture is described as a "family" culture, characterized by teamwork, trust, and loyalty (Cameron and Quinn, 1999). Regarding the works council's relationship with management, the chairman of the works council described the relationship as cooperative. No works council members are members of a union; around 14 per cent of the workforce is unionized.

Figure 5.2 below shows the communication network. From this figure, it is clear that the different locations operate separately, and are connected

¹ The full questionnaire is presented in Appendix D.1.

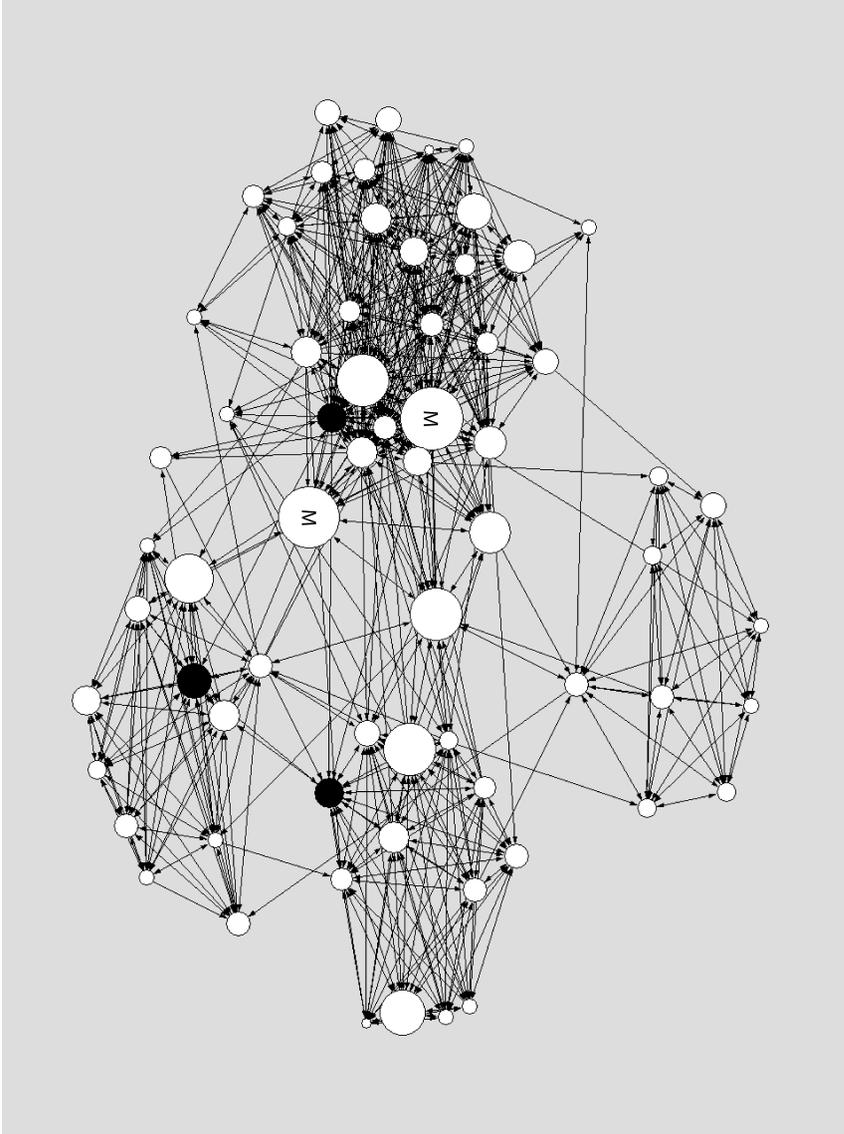


Figure 5.2: Communication network

via just a few links. The black dots represent the works council members. The size of the dots indicates the influence (mean of influence towards colleagues and management). As can be seen from the analyses later on, most of the large dots are managers. The two large dots containing an "M" are the directors.

Table 5.1 shows the descriptive statistics for our analysis. Our dependent variable is *Influence*, which is measured by perceived influence; all respondents have been asked to indicate for every colleague how much influence they have on colleagues and on management, respectively. Influential people have been described as having clear ideas and being able to communicate these to convince colleagues and management, on the daily work routine. Influence ranged from no to very much influence on a five-point scale, and also included the options "I don't know" and "I don't know this person". The latter options were coded zero. The mean of all indications of influence per respondent was taken (i.e. the mean over 65 perceptions of influence of the focal person). Even though the correlation between management and colleagues is high, we analyze both separately, because we believe that different effects occur for both types. The mean influence towards colleagues is 1.93 on a four-point scale, and 1.78 towards management on a four-point scale. This is not very high, but this is due to the fact that many persons did not know all colleagues or did not know the degree of influence they had. However, as can be seen from Table 5.1, the variation in influence is high.

Our first independent variable is *Works council membership* and is 1 for works council members (three members in total). Our second group of independent variables concerns the network position. Communication was measured by asking respondents which other people in the network they communicated with, and with what frequency (daily, weekly, monthly). We coded this variable into a dichotomous variable, 1 indicating daily or weekly (frequent) contact, 0 if otherwise. Network position can be measured by different centrality indicators, namely degree centrality, closeness centrality, and betweenness centrality. Degree centrality is measured by the number of incoming or outgoing ties to other actors, called indegree and outdegree, respectively. Brass and Burkhardt (1993) indicate indegree as the available alternatives, closeness as access to network resources and betweenness as control in the network.

In our analyses, we take into account normalized values of the centrality measures: *Closeness communication* and *Betweenness communication*. We do not take into account indegree centrality, because we are concerned with the network resources and control. Furthermore, the indegree measure is highly correlated to closeness centrality, leading to multicollinear-

Table 5.1: Descriptive statistics

	Mean	SD	Min	Max
Influence colleagues	1.93	0.63	0.46	3.58
Influence management	1.78	0.70	0.40	3.63
Works council member	0.05	0.21	0	1
Betweenness communication	1.96	2.73	0	13.47
Closeness communication	1.08	0.15	0.77	1.52
Rationality	3.84	0.71	1	5
Upward appeal	2.90	0.94	1	5
Coalition	3.62	0.88	1	5
Ingratiation	2.88	0.85	1	4.33
Exchange	1.89	0.88	1	4
Assertiveness	2.09	1.02	1	5
Age	38.97	10.01	21	60
Salary scale	5.23	2.16	1	10
Performance	4.06	0.58	3	5
Leadership	0.17	0.38	0	1

N = 66

Table 5.2: Network statistics

		SD		Min.		Max.	
		Out	In	Out	In	Out	In
Average degree	14.02	6.58	5.52	3	4	30	33
Density	0.22						
Number of ties	925						

ity problems. Closeness and indegree might be highly correlated, because people who know many people (indegree), also know well-connected people (closeness). We believe that access and control are most important into testing our hypotheses, and are also most important in the works council context. We used UCINET (Borgatti et al., 2002) to calculate the centrality measures. Table 5.2 presents the network statistics. The density is 0.22, which means this is a rather sparse network, which can be explained by the fact that the organization is spread over different locations. The average degree of communication is 14.02, with a minimum of three (four) outgoing (incoming) ties, and a maximum of 30 (33) outgoing (incoming) ties.

Our third concept of interest, strategic behavior, is measured by scales and variables of influence tactics. We asked respondents about their ten-

dency to use certain influence tactics, listing 16 possibilities. The tactics and scales are based on, among other things, research of Kipnis et al. (1980) and Kyl-Heku and Buss (1996), and include measures on rationality, upward appeal, coalition forming, ingratiation, exchange, and assertiveness. *Rationality* is measured by a scale of sensing the right moment to bring up certain issues, using logical arguments, and communicating with many people (Cronbach's alpha = 0.71). *Upward appeal* is measured by a scale of searching support higher in the organization, knowing the right people, and attending meetings where important people are present (Cronbach's alpha = 0.82). *Coalition* forming is measured by asking support from colleagues and subordinates. *Ingratiation* is measured by a scale of showing interest in colleagues' private lives, giving them compliments, and asking for things in a friendly manner (Cronbach's alpha = 0.71). *Exchange* is measured by offering to do something for colleagues in exchange for something else. *Assertiveness* is measured by exerting pressure on colleagues by setting deadlines.

Not all respondents filled out the questions on tendency to use influence tactics. Where this was the case, we imputed missing variables by taking the mean in their group, categorized by gender, age, and function. This did not substantially alter the results, but made it possible to take all observations into account, which is important for the network measures.

We multiply works council membership with the network measures and influence tactics to estimate *Interaction effects*. We control for indicators of formal influence, such as *Age* (in years, 39 mean age), *Salary scale* (ten scales according to function, mean 5.23), and *Leadership* (having subordinates=1; 17 per cent have subordinates). We also control for a self-reported measure of *Performance*, measured on a five-point scale (totally disagree-totally agree) on the statement: "I perform well in my job". There were no people who chose a value lower than 4 on this item.²

5.3.2 Data analysis

Because the data we use are based on the dyad (communication link), they are interdependent i.e., they contain autocorrelation. Performing OLS regressions could generate biased results. We therefore use MRQAP analyses, performed by UCINET (Borgatti et al., 2002). MRQAP is based on the Quadratic Assignment Procedure as suggested by Krackhardt (1988). MRQAP is a tool to carry out regression analysis on social network data,

² We also included tenure (4.23 years average) and gender (65 per cent females). These variables did not show significant results. To keep the model as simple as possible, due to the limited amount of observations, we decided to leave them out.

Table 5.3: Correlation matrix

	1	2	3	4	5	6	7
1. Influence on management	0.92***						
2. Influence on colleagues	0.05	0.02					
3. Works council member	0.42***	0.40***	0.12				
4. Betweenness communication	0.38***	0.32***	0.14	0.65***			
5. Closeness communication	0.33***	0.22*	0.15	0.15	0.25**		
6. Rationality	0.31**	0.12	0.13	0.12	0.07	0.51***	
7. Upward appeal	0.17	0.08	0.09	0.04	0.11	0.49***	0.46***
8. Coalition	0.08	0.08	0.12	0.13	0.17	0.35***	0.23*
9. Ingratiation	0.06	0.08	-0.06	-0.04	0.10	0.08	0.15
10. Exchange	0.41***	0.41***	-0.02	0.18	0.07	0.27**	0.23*
11. Assertiveness	0.30***	0.31**	0.23*	0.25**	0.14	0.02	0.10
12. Age	0.70***	0.66***	-0.02	0.03	-0.07	0.14	0.31**
13. Salary scale	0.24*	0.16	-0.02	0.22*	0.23*	0.27**	0.32***
14. Performance	0.73***	0.62***	-0.10	0.30**	0.35***	0.25**	0.36***
15. Leadership							
9. Ingratiation	0.21*						
10. Exchange	0.09	0.47***					
11. Assertiveness	0.16	0.37***	0.29**				
12. Age	0.06	-0.01	-0.10	-0.01			
13. Salary scale	0.21*	-0.13	0.01	0.41***	0.13		
14. Performance	0.28**	0.10	-0.02	0.17	0.15	0.01	
15. Leadership	0.10	0.06	0.05	0.20	0.16	0.52***	0.09

N = 66

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

by permutation. All variables to be analyzed have to be added in matrix form, the networks as well as the other independent variables. This leads to an increase in the number of observations ($66*66=4290$ observations). Furthermore, this means that the interpretation of the variables shifts to the level of difference between actors. For example, the question is not whether higher age leads to higher influence, but whether a higher age difference between actor *A* and actor *B* leads to a higher difference in attributed influence between actor *A* and actor *B*.

In Appendix D.3 we present the results of the OLS analyses and associated correlations. The OLS hierarchical regression analyses have been performed in Stata 11 (StataCorp, 2009). The analyses we perform for the works council member's hypotheses can be regarded as conservative. We have only three works council members, meaning we compare three observations with information on their 63 colleagues. Conservative tests have low power and are less likely to find significant results. The MRQAP model solves this by making use of matrices as units of analysis, increasing the number of observations. As can be seen by comparison of the models (Tables 5.4 until 5.7 for the MRQAP analyses with Tables D.3 until D.6 in the Appendix for the OLS analyses), the models do not generate substantively different results. The main differences can be found in the significance levels of variables.

We first perform analyses on the influence on colleagues, followed by analyses on the influence on management. In both cases, we examine seven models. The first model contains the main effects for the variables of interest, controlled for the control variables mentioned above. The second to ninth models include interaction effects. Because of the small sample size, we could not include all interaction effects at once. Also, we could not run interaction models for two combinations (works council member with rationality and assertiveness), because there was no variation on the influence tactics for the works council members. To gain more insights into our econometric results, we also look into the specific characteristics of the works councils and their effect on important variables, by examining the descriptive statistics more closely. Even though there are some high correlations, as can be seen from Table 5.3, there were no multicollinearity problems, as indicated by the VIF scores, which were all below 5.

Due to the high influence of formal attributes, such as leadership and salary scale, we also performed analyses on a subsample of actors who did not have subordinates. This led to a subsample of 55 actors. The descriptive statistics for these analyses, as well as the correlation matrices, are shown in Appendix D.2.

5.4 Results

5.4.1 General results

Table 5.4 shows the results explaining influence on colleagues and Table 5.5 shows those explaining influence on management. We expected works council members to have a positive perceived influence on colleagues, compared to non-works council members. However, we do not find a direct effect of being a works council member on perceived influence on colleagues or management. We thus find no support for our first hypotheses (1a and 1b).

Regarding network effects, we expected a positive effect of closeness as well as betweenness centrality. We do find a positive effect of betweenness centrality; the higher the betweenness centrality, the more influential. This holds for influence towards management as well as colleagues. Furthermore, closeness centrality affects influence towards management positively, but not influence towards colleagues. This indicates that access to information is perceived to contribute to more influence towards management. These findings thus partly support our Hypotheses 2a and 2b.

The influence tactics show a different picture than expected regarding the perceived influence on colleagues. Instead of the expected positive effects of certain influence tactics on colleagues (ingratiation, exchange, and upward appeal), we only find negative effects of influence tactics, if any. Ingratiation and exchange do not show any significant effects. Upward appeal, which we hypothesized to be positively related to influence, is negatively related to influence. In terms of influence it might be perceived as a weakness to ask for upward support, explaining the negative effect of upward appeal on perceived influence of colleagues. Hypothesis 3a is rejected. Hypothesis 3b stated that rationality would be positively related to perceived influence on management. Indeed, this is what we find (Table 5.5). This is in line with the findings of Brass and Burkhardt (1993) who find that rationality is often related to status, and Kipnis et al. (1980), who find that rationality is important for influencing higher-ups. Interestingly, although we did not formulate a hypothesis on this effect, upward appeal is not significant anymore in influencing management. This indicates that asking for upward appeal makes people perceive you as less influential towards peers, but it does not affect your influence towards management.

As expected, formal characteristics are of large importance for perceived influence, both towards colleagues and management. Salary scale and leadership both are positively significant. Furthermore, age is also sig-

Table 5.4: Explaining Influence on colleagues (MRQAP)

	Main		Interaction effects				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Works council member	-0.020 (0.257)	-0.086 (0.626)	6.632** (4.728)	-2.212* (1.559)	-1.622* (1.302)	-3.984 (3.185)	-0.452 (1.002)
Betweenness communication	0.046** (0.027)	0.046** (0.028)	0.044** (0.026)	0.041* (0.027)	0.045** (0.027)	0.045** (0.027)	0.047** (0.027)
Closeness communication	0.345 (0.512)	0.343 (0.521)	0.454 (0.504)	0.408 (0.512)	0.436 (0.513)	0.436 (0.515)	0.368 (0.522)
Rationality	0.150* (0.100)	0.150* (0.100)	0.163** (0.098)	0.161** (0.098)	0.160** (0.100)	0.160** (0.099)	0.152** (0.097)
Upward appeal	-0.189*** (0.075)	-0.191*** (0.079)	-0.187*** (0.078)	-0.205*** (0.077)	-0.184*** (0.079)	-0.184*** (0.076)	-0.185*** (0.078)
Coalition	-0.076 (0.070)	-0.074 (0.073)	-0.101** (0.072)	-0.080 (0.069)	-0.099* (0.073)	-0.099* (0.074)	-0.083 (0.076)
Ingratiation	0.078 (0.080)	0.078 (0.083)	0.073 (0.081)	0.075 (0.079)	0.074 (0.083)	0.074 (0.082)	0.077 (0.082)
Exchange	0.047 (0.070)	0.048 (0.071)	0.041 (0.071)	0.053 (0.070)	0.041 (0.070)	0.041 (0.070)	0.044 (0.072)
Assertiveness	0.003 (0.065)	0.003 (0.067)	0.009 (0.067)	0.006 (0.063)	0.008 (0.068)	0.008 (0.064)	0.004 (0.065)
WC member*Betweenness		0.019 (0.168)					
WC member*Closeness			-5.673** (3.959)				
WC member*Upward				0.633* (0.444)			
WC member*Coalition					0.394 (0.316)		
WC member*Ingratiation						1.181* (0.943)	
WC member*Exchange							0.254 (0.539)
Age	0.010** (0.006)	0.010** (0.006)	0.012*** (0.006)	0.012** (0.006)	0.011** (0.006)	0.011** (0.006)	0.010** (0.006)
Salary scale	0.185*** (0.045)	0.185*** (0.047)	0.187*** (0.045)	0.186*** (0.046)	0.187*** (0.046)	0.187*** (0.046)	0.185*** (0.045)
Performance	0.102 (0.101)	0.102 (0.107)	0.101 (0.101)	0.105 (0.100)	0.101 (0.100)	0.101 (0.100)	0.101 (0.102)
Leadership	0.117* (0.078)	0.118* (0.081)	0.104** (0.078)	0.116* (0.078)	0.105* (0.076)	0.105* (0.078)	0.113* (0.079)
Intercept	0.000*** (0.000)						
Observations	4290	4290	4290	4290	4290	4290	4290
Adjusted R^2	0.726	0.726	0.739	0.739	0.736	0.736	0.727

Standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 5.5: Explaining Influence on management (MRQAP)

	Main		Interaction effects				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Works council member	0.033 (0.256)	0.399 (0.653)	9.551** (4.714)	-1.776 (1.537)	-2.449** (1.318)	-6.109** (3.216)	-1.118 (0.944)
Betweenness communication	0.033* (0.026)	0.034 (0.027)	0.029 (0.026)	0.028 (0.026)	0.030 (0.025)	0.030 (0.026)	0.034 (0.026)
Closeness communication	0.681* (0.499)	0.697* (0.521)	0.838** (0.516)	0.733* (0.527)	0.822** (0.508)	0.822* (0.513)	0.742* (0.535)
Rationality	0.177** (0.098)	0.177** (0.100)	0.196** (0.097)	0.187** (0.102)	0.193** (0.096)	0.193** (0.095)	0.182** (0.098)
Upward appeal	-0.055 (0.070)	-0.048 (0.073)	-0.051 (0.068)	-0.068 (0.072)	-0.047 (0.067)	-0.047 (0.069)	-0.043 (0.071)
Coalition	-0.085 (0.072)	-0.093* (0.074)	-0.122** (0.071)	-0.088 (0.071)	-0.121** (0.075)	-0.121** (0.073)	-0.106* (0.074)
Ingratiation	0.059 (0.079)	0.058 (0.080)	0.052 (0.077)	0.056 (0.079)	0.053 (0.080)	0.053 (0.078)	0.056 (0.080)
Exchange	0.017 (0.069)	0.013 (0.070)	0.008 (0.068)	0.022 (0.069)	0.007 (0.068)	0.007 (0.067)	0.008 (0.069)
Assertiveness	-0.004 (0.068)	-0.003 (0.066)	0.004 (0.060)	-0.002 (0.064)	0.004 (0.063)	0.004 (0.064)	0.000 (0.062)
WC member*Betweenness		-0.107 (0.169)					
WC member*Closeness			-8.116** (3.840)				
WC member*Upward				0.523 (0.440)			
WC member*Coalition					0.610** (0.307)		
WC member*Ingratiation						1.830** (0.924)	
WC member*Exchange							0.678* (0.526)
Age	0.009* (0.006)	0.009* (0.006)	0.012** (0.006)	0.010** (0.006)	0.011** (0.006)	0.011** (0.006)	0.009** (0.006)
Salary scale	0.184*** (0.046)	0.185*** (0.046)	0.188*** (0.044)	0.185*** (0.045)	0.188*** (0.045)	0.188*** (0.045)	0.186*** (0.045)
Performance	0.116 (0.099)	0.114 (0.103)	0.115 (0.099)	0.118 (0.100)	0.114 (0.097)	0.114 (0.097)	0.113 (0.100)
Leadership	0.179** (0.078)	0.175** (0.081)	0.160** (0.075)	0.178** (0.078)	0.161** (0.079)	0.161** (0.078)	0.168** (0.079)
Intercept	0.000*** (0.000)						
Observations	4290	4290	4290	4290	4290	4290	4290
Adjusted R ²	0.781	0.783	0.803	0.788	0.801	0.801	0.789

Standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

nificant; older people are perceived as more influential.

Leadership is an important determinant of influence in our analyses. This is due to the large influence of formal characteristics on perceived influence. To see whether effects would differ if we were to exclude those actors that supervise others, we excluded them from the analyses. In this way, we can perceive works council member's effects vis-à-vis their peers. Table 5.6 and 5.7 show the results for these analyses ($N = 2970$).

Again, we find no effects of works council membership. Thus, also compared with their peers, works council members are not perceived as more influential than other organizational members. Closeness centrality is not significant anymore, while betweenness centrality is only significant in influence towards colleagues. Regarding influence towards colleagues we again find that upward appeal leads to less influence. Interestingly, rationality is not significant anymore in these analyses. Kipnis et al. (1980) indicate that the latter tactic is mostly used by people higher up in the organization. Excluding these indeed makes the effect insignificant.

5.4.2 Works council results

Works council members are not significantly more influential than non-works council members, as shown by the results above. However, when looking more closely, we see that works council members belong to the top 22 and 21 most influential persons in the organization, both towards colleagues and management, respectively. The persons that are more influential than the works council members are all higher ranked in terms of salary scale, and also include all managers in the organization. Table 5.8 shows the descriptive statistics for the works council members. As can be seen, member 2 is the most influential towards colleagues and management. This member is also ranked number 1 most of the times on the question of who is ranked most influential towards colleagues and management. It is interesting to see that works council member 1 is perceived as having the lowest influence of all works council members (towards management), but performs better than member 3 in terms of ranked performance on the works council job.

Models 2 to 7 in Tables 5.4 and 5.5 show the interaction effects of works council membership with network and influence characteristics. We see that works council members have a positive effect on influence on colleagues and management, if they do not have access to information, indicated by the significant effect of works council membership in Model 3. However, having access to information on top of being a works coun-

Table 5.6: Explaining Influence on colleagues (without managers) (MRQAP)

	Main		Interaction effects				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Works council member	0.073 (0.263)	0.024 (0.628)	6.591* (4.662)	-2.096* (1.526)	-1.506 (1.341)	-3.825 (3.114)	-0.370 (0.966)
Betweenness communication	0.065** (0.035)	0.065** (0.036)	0.062** (0.035)	0.053* (0.036)	0.064** (0.035)	0.064** (0.036)	0.067** (0.036)
Closeness communication	0.259 (0.531)	0.257 (0.537)	0.372 (0.531)	0.317 (0.526)	0.354 (0.521)	0.354 (0.543)	0.286 (0.520)
Rationality	0.105 (0.107)	0.105 (0.108)	0.124 (0.107)	0.123 (0.108)	0.120 (0.106)	0.120 (0.105)	0.107 (0.106)
Upward appeal	-0.245** (0.091)	-0.247*** (0.093)	-0.241*** (0.091)	-0.265*** (0.092)	-0.238*** (0.091)	-0.238*** (0.090)	-0.239*** (0.091)
Coalition	-0.065 (0.086)	-0.063 (0.089)	-0.101 (0.089)	-0.075 (0.087)	-0.096 (0.090)	-0.096 (0.091)	-0.075 (0.089)
Ingratiation	0.073 (0.088)	0.073 (0.089)	0.071 (0.088)	0.073 (0.088)	0.071 (0.089)	0.071 (0.089)	0.072 (0.090)
Exchange	0.026 (0.080)	0.027 (0.082)	0.026 (0.080)	0.042 (0.081)	0.024 (0.082)	0.024 (0.082)	0.022 (0.083)
Assertiveness	0.053 (0.075)	0.053 (0.077)	0.055 (0.074)	0.054 (0.075)	0.054 (0.073)	0.054 (0.075)	0.053 (0.079)
WC member*Betweenness		0.015 (0.169)					
WC member*Closeness			-5.561* (3.895)				
WC member*Upward				0.628* (0.443)			
WC member*Coalition					0.387 (0.310)		
WC member*Ingratiation						1.160* (0.929)	
WC member*Exchange							0.259 (0.532)
Age	0.006 (0.006)	0.006 (0.006)	0.009* (0.006)	0.009* (0.007)	0.008 (0.007)	0.008* (0.006)	0.007 (0.007)
Salary scale	0.185*** (0.048)	0.185*** (0.050)	0.190*** (0.049)	0.187*** (0.049)	0.190*** (0.049)	0.190*** (0.051)	0.187*** (0.050)
Performance	0.162* (0.116)	0.162* (0.116)	0.165* (0.113)	0.173* (0.112)	0.163* (0.116)	0.163* (0.113)	0.160* (0.118)
Intercept	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)
Observations	2970	2970	2970	2970	2970	2970	2970
Adjusted R^2	0.594	0.594	0.619	0.619	0.614	0.614	0.597

Standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 5.7: Explaining Influence on management (without managers) (MRQAP)

	Main		Interaction effects				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Works council member	0.170 (0.246)	0.449 (0.610)	8.913** (4.433)	-1.715 (1.508)	-2.091** (1.238)	-5.413** (3.037)	-0.828 (0.916)
Betweenness communication	0.039 (0.032)	0.042 (0.034)	0.035 (0.032)	0.029 (0.033)	0.037 (0.031)	0.037 (0.032)	0.043* (0.032)
Closeness communication	0.527 (0.499)	0.542 (0.509)	0.678* (0.501)	0.577 (0.517)	0.663* (0.492)	0.663* (0.498)	0.586 (0.522)
Rationality	0.102 (0.100)	0.102 (0.102)	0.128* (0.101)	0.118 (0.106)	0.123 (0.102)	0.123* (0.099)	0.108 (0.103)
Upward appeal	-0.115* (0.078)	-0.107* (0.080)	-0.109* (0.074)	-0.131** (0.078)	-0.105* (0.075)	-0.105* (0.077)	-0.101* (0.079)
Coalition	-0.019 (0.081)	-0.026 (0.084)	-0.067 (0.082)	-0.027 (0.081)	-0.064 (0.083)	-0.064 (0.083)	-0.042 (0.086)
Ingratiation	0.014 (0.081)	0.013 (0.085)	0.011 (0.080)	0.014 (0.084)	0.011 (0.079)	0.011 (0.079)	0.012 (0.084)
Exchange	0.004 (0.079)	-0.001 (0.079)	0.004 (0.074)	0.018 (0.078)	0.000 (0.074)	0.000 (0.074)	-0.005 (0.080)
Assertiveness	0.078 (0.074)	0.078 (0.074)	0.081 (0.071)	0.080 (0.073)	0.080 (0.072)	0.080 (0.072)	0.079 (0.074)
WC member*Betweenness		-0.082 (0.161)					
WC member*Closeness			-7.460** (3.755)				
WC member*Upward				0.546 (0.435)			
WC member*Coalition					0.554** (0.307)		
WC member*Ingratiation						1.661** (0.898)	
WC member*Exchange							0.584 (0.504)
Age	0.007 (0.006)	0.007 (0.006)	0.010** (0.006)	0.009* (0.006)	0.009* (0.006)	0.009* (0.006)	0.007 (0.006)
Salary scale	0.169*** (0.047)	0.170*** (0.048)	0.175*** (0.046)	0.170*** (0.046)	0.175*** (0.047)	0.175*** (0.046)	0.172*** (0.046)
Performance	0.186** (0.111)	0.184* (0.116)	0.190** (0.110)	0.196** (0.113)	0.188** (0.109)	0.188** (0.108)	0.183** (0.111)
Intercept	0.000*** (0.000)						
Observations	2970	2970	2970	2970	2970	2970	2970
Adjusted R^2	0.590	0.593	0.640	0.611	0.634	0.634	0.607

Standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

cil member, has a negative significant effect on influence. This is contrary to our hypotheses (2c and 2d). If we look at Table 5.8, we see that works council members score higher than average on closeness centrality. However, apparently this does not help them in gaining more influence within the organization.³

Regarding behavioral determinants, Model 4 to 7 measure the interaction of works council membership with influence tactics. Where works council membership is negative, the influence tactics upward appeal, and ingratiation can positively influence this in the analyses examining influence towards colleagues. However, looking more closely at the effects shows that the net effect is negative; works council membership turns highly negative, and the influence tactics upward appeal and ingratiation hamper this negative effect.

It can be seen that influence tactics towards management (Table 5.5) are more important for works councils. Here also, the effects turn out to be hampering the negative effects of being a works council member (coalition, ingratiation, and exchange).

The models without managers (Table 5.6 and 5.7) show a similar picture for influence towards colleagues, with the same effects occurring. However, regarding influence towards management, only coalition and ingratiation are significant in the interaction with works council membership, and their net effect is negative.

The works council members all use rationality quite often as an influence tactic. Coalition is used very often by member 2. On the hypothesized influence tactics that we expected to be important, all members score higher than average (with the exception of member 3 on upward appeal), except for assertiveness, which is used less than average by all works council members. Although the support should be interpreted with great caution, we can carefully state that these results lead to support for Hypothesis 3d (coalition forming, rationality and assertiveness lead to influence towards management), but do not support Hypothesis 3c (coalition forming and rationality lead to higher influence towards colleagues).

5.5 Discussion

The current study aimed to show the importance of looking at the works council as a composition of individuals and their characteristics. Our questions of interest were whether works council members are more influential than non-members, and how this influence is affected by structural

³ We plotted the interaction effect, the graph can be found in Appendix D.4.

Table 5.8: Descriptive statistics works council members (W1-W3), compared to the rest

	Mean	SD	Min	Max	W1	W2	W3
Influence colleagues	1.93	0.64	0.46	3.58	2.00	2.17	1.80
Influence management	1.77	0.71	0.40	3.63	1.75	2.29	1.79
Ranking colleagues	-	-	-	-	3	1	2
Ranking management	-	-	-	-	3	1	2
Ranking performance	-	-	-	-	2	1	3
Betweenness centrality	1.89	2.75	0	13.47	5.44	3.13	1.89
Closeness centrality	1.08	0.15	0.77	1.52	1.25	1.09	1.19
Rationality	3.82	0.72	1	5	4.33	4.33	4.33
Upward appeal	2.88	0.95	1	5	3.67	4.00	2.67
Coalition	3.60	0.88	1	5	3	5	4
Ingratiation	2.85	0.86	1	4.33	3.00	3.67	3.33
Exchange	1.90	0.89	1	4	1	2	2
Assertiveness	2.10	1.04	1	5	2	2	2
Gender	0.67	0.48	0	1	Male	Male	Female
Age	38.46	9.62	21	60	57	33	59
Tenure	4.15	3.72	0.39	23.60	5.65	5.83	6.08
Salary scale	5.24	2.21	1	10	5	5	5
Performance	4.06	0.59	3	5	4	4	4
Leadership	0.17	0.38	0	1	0	0	0
<i>N</i> = 63							

Bold numbers indicate members who score one SD above the average

and behavioral determinants. We found that works council members are not significantly more influential than non-members, although they belong to the more influential members compared to people on the same salary scales.

Partly supporting our hypotheses, betweenness centrality was positive and significant, while closeness centrality was only slightly significant with respect to influence towards management. This points in the direction of a brokerage position being more beneficial than a closure position (Burt, 2001). We follow Labun et al. (2010) in their finding that in non-profit organization closed networks might also be (or even more) important. Maybe this is the case for the daily work routine, but not for exerting influence. Also, for works council members, closeness centrality was indicated to negatively affect influence. This effect goes against our expectations, and might be due to the influence of formal position. For example, a person may have a lot of contact with many persons in the organization because of his or her function, but because of that same function may be perceived as low in influence. This for example is the case for most secretaries in this organization. This notion confirms the finding that works council members are not more influential than non-members.

Influence tactics seemed more important for works councils, especially towards management. This also supports the argument of Brass and Burkhardt (1993) that weak resources in terms of network position can be compensated by strategic actions (influence tactics). Even though for the whole group influence tactics showed no or negative results, for the works council the tactics upward appeal, and ingratiation have a positive effect on influence towards colleagues. Upward appeal has a negative effect in general. It might be perceived as a weakness to ask support from higher-ups. However, the role of the works council, having regular meetings with higher-ups, might legitimize asking support from higher-ups, and therefore lead to beneficial effects.

In terms of influence towards management, many interaction effects are positively related towards management influence. However, they also hamper the negative effect of works council membership. This indicates that works councils in itself might not have influence, but need to use certain tactics to obtain more influence. These influence tactics can in that way be used to compensate for the negative effect of works council membership, which might for example be due to a lack of know-how, or a delay in decision-making (Van den Berg et al., 2011b).

The current study points out that the works council members in this organization are not perceived as very influential. Using certain influence tactics can increase this influence, but mostly hampers the lack of influence works council members have in the first place. Works council influence of

course differs between organizations, and is also dependent on contextual factors. Organizational size has been found to be one of these important factors, for example in influencing productivity (Addison, 2009).

An interesting question to be posed is whether works council members *should* be perceived as influential. As Van den Berg et al. (2011a) have shown, a works council is perceived as most efficient by management when they take up a passive role. It might be that managers (and other organizational members) will therefore be more reluctant to attribute influence to the works councilors. Future research should look into the attitude of managers, but also the attitude of employees, towards works council influence. The perception of employees has not yet been studied regarding works councils, and can be important for the functioning of the works council in an organization. Chapter 6 makes a start in looking deeper into the attitude of employees towards works councils.

This study is the first of its kind to look at the structural and behavioral determinants of influence of works council members. It has two limitations, namely that the case study only concerns three works council members and that the external validity of the study is low, because we use a specific organization (non-profit, small, et cetera). However, this is also in a way illustrative of the Dutch works council case, in which there are often unfilled vacancies for works councils, and in which works councils often are perceived as not very influential. Future research should look into other types of organizations to learn more about works councils and their network position and behavioral strategies.

Because this study was the first of its type, we chose a very basic approach, and did not look at interaction effects, or interrelations between structural and behavioral determinants (e.g., Brass and Burkhardt, 1993). Future research in industrial relations could gain from building on the results in this study in finding out more about works council influence within organizations.

Chapter 6

Works council effectiveness during reorganizations: Case study evidence from the Netherlands^{*}

6.1 Introduction

Works councils can influence organizational outcomes in several ways, but how they do this has so far received little attention. Large quantitative studies, mainly conducted in Germany, have shown that works council presence generates mixed results on organizational outcomes, such as productivity, labor turnover, and profits (e.g., Addison, 2009). Overall, results point to a positive - or at least non-negative - effect of works councils. Works council presence seems, for example, to have a stimulating effect on productivity, and a hampering effect on labor turnover (Addison et al., 2001).

We have conducted similar studies in the Netherlands, presented in the previous chapters (Chapters 2 and 3), using a dummy variable to test the effect of works council presence on organizational performance indicators. These studies lead to similar results; increasing productivity (Chapter 2), and decreasing labor turnover (Chapter 3). In these studies, a distinction has been made between organizations that have or have not been going through reorganizations, or that operate during good or bad economic times. An important contribution of these chapters is that they take con-

^{*}This chapter draws on a paper which is co-authored by Annette van den Berg. We would like to thank Saskia Kliphuis for transcribing the interviews.

textual factors into account, as opposed to the studies that only take into account works council presence, and interpret a works council as a constant factor.

Our former studies show different effects of works councils in different economic circumstances, but the use of a dummy variable for works council presence does not give us enough insights in the way the role of works councils may differ in organizations and under different economic circumstances. Our results in Chapter 3, for example, point to the direction of a different role for works councils in different economic circumstances, but the actual actions of the works council cannot be traced. However, the actions of works councils in different situations may well contribute to a better understanding of the mixed findings in former research on works councils.

Several researchers have therefore called for studies to open the *black box* of works councils and reveal more about the processes and determinants that affect works council's influence (e.g., Frege, 2002). To do so, it is not sufficient to, for example, look at works councilor's (and manager's, for that matter) personalities. These characteristics might be necessary, but not sufficient conditions to ascertain works council effectiveness. Rather, we should look at effectiveness in terms of bargaining outcomes and quality of workplace relations, because the interaction of management and works councils, will eventually lead to outcomes.

The current chapter aims to do so, in the specific context of firms going through reorganizations and being part of a multinational enterprise (MNE). We choose this context for our cases, because in these organizations, the role of works councils is likely to be clearly distinguishable, due to the formal task they receive during reorganizations. They are asked for advice on the reorganization, and can therefore be compared on this dimension. Furthermore, we choose the context of MNEs because they are increasingly important, and identified as a large threat for works councils (Gumbrell-McCormick and Hyman, 2010). We expect that if works councils have positive effects on organizational outcomes in our specific contexts of reorganizations and operating in an MNE, these effects are very likely to occur likewise for works councils in national companies, without reorganizations, because in these less complex contexts, the threats works councils are facing are likely to be smaller. The current contexts can help us to unravel some of the complexities that cause mixed results in the above mentioned econometric analyses.

This study selects three cases to help answer the following research questions:

Research question 1. *How does works council influence emerge?*

Research question 2. *How do works councils influence (re)organizational outcomes?*

In the current chapter, we thus focus more on the question of *how* works councils influence (re)organizational outcomes, instead of *if* they influence (re)organizational outcomes. As Yin (2003) states, case studies provide a good approach to study these types of questions ("how" questions). The findings of earlier research and the insights of the current study should contribute to a behavioral approach to works councils, proposing testable hypotheses for studying works council influence more in-depth in future work.

We present a model based on our findings from Chapters 2 to 5, which serves as a starting point for our case studies. We aim to gain more insights into the relations studied in the earlier chapters, e.g., to answer the how questions regarding influence on productivity and turnover. Moreover, this study has an explorative character, to uncover important variables that have not yet been studied and might influence works council influence. This study can thus be seen as a hybrid case study in which, on the one hand, support for the elements of former chapters is tested (explanatory part), and on the other hand, novel elements are added to our existing knowledge (exploratory). The sum of these explanatory and exploratory factors leads to a novel integrated model of works council effectiveness, adding new variables of interest, to be further tested in future research.

Studies that have made a start in opening the *black box* of works council effectiveness are the quantitative studies by Van den Berg et al. (2011a,b) in the Netherlands, adding an important correlate, namely the attitudes of management and works councils towards each other. Regarding German works councils, several studies have given us more insights into works council performance, for example the case studies by Kotthoff (1981) and Wever (1994) and the quantitative studies using works council typologies (Dilger, 2002; Nienhueser, 2009). Van der Brempt et al. (2012) also performed case studies examining Belgian works councils and developing a behavioral framework for works council cooperation with management.

Former research has distinguished several characteristics that affect the degree of works council influence. Instead of focusing on formal characteristics of the works council, such as works council composition or education level of the members, we focus on more behavioral components, such as the way in which works councils communicate and the influence tactics they use. In this sense, our study adds to the extant work on a behavioral approach to the study of works councils.

The context of reorganizations is becoming more and more important

for works councils. Recent figures have revealed that 65 per cent of Dutch works councils mention reorganizations as one of the most important topics discussed by the works council (Van Houten-Pilkes and Snel, 2013). We think it is important to take the reorganization context into account, because works councils may take up a different role in these situations. As shown before, works councils have a different effect on labor turnover in negative economic times (less labor turnover) than in positive economic times. The typologies proposed by Kotthoff (1981) and Nienhueser (2009) (based on power and willingness to cooperate) are therefore in our opinion only relevant in certain situations, and the same works council can be categorized into different types, depending on the situation. We will touch upon these differences in the present study.

Next to this context, being part of a (foreign) MNE is of increasing importance for industrial relations at the local (organizational) level. Being part of an MNE has been found to be an important reason why works council influence might be diminishing (Looise and Drucker, 2002). This is also recognized by the Dutch government; although the government agrees that the rights of works councils cannot be guaranteed in these situations, works councils should at least be better informed about the representation structures at the local and international level (proposal for adjustment of the Works Council Act, September 2012 (Ministerie van Sociale Zaken en Werkgelegenheid (Ministry of Social Affairs and Employment), 2012)).

Our cases concern three Dutch organizations that have been through reorganizations, and that are subsidiaries of larger international companies, based abroad. The works councils in our case organizations have asked professor van Witteloostuijn to advise them in the context of the reorganization they were going through.¹ This fact, plus the context of operating in an MNE, make these special cases. On the one hand, the fact that they use their right to ask for external advice, indicates that the works councils know how to use their legal rights, and that they do so. On the other hand, the fact that the works councils operate within the boundaries of an MNE, may indicate they have less influence in the reorganization decisions that have been initiated by top management (Looise and Drucker, 2002).

In the current study, we aim to contribute to the ongoing research on works council influence in three ways: 1) We contribute to opening the *black box* of works councils by making use of qualitative case studies, 2) we contribute to developing a behavioral model of works council effec-

¹ In Case C, I was also involved in advising the works council in the reorganization, as part of the team of professor Van Witteloostuijn.

tiveness, and 3) we do so in the Dutch context, contrary to most research focusing on Germany. The Dutch case is of interest because of its own specific legal requirements, and the strong dual task of the works council (see e.g., Chapter 1). To understand our research findings in the Dutch context, we try to base our work on Dutch works council research where possible.

In the following section, the theoretical background and model are presented. After that, we describe our cases and methodology. In the results section, we present our findings and the hypotheses following from them. We conclude by discussing our findings.

6.2 Theory

To gain more insights in how works councils can exert influence in organizations, we focus on two aspects of works council influence. First, we describe the conditions under which works councils can obtain influence: i.e., what are the factors determining works council influence? Second, we review the roles works councils may perform to affect organizational outcomes. In discussing both aspects, we distinguish between the effects inside and outside the context of reorganization.

Figure 6.1 shows the findings from our earlier chapters. The left part represents the determinants of influence, whereas the right part shows the outcomes of works council influence. Below, we describe these characteristics in more detail.

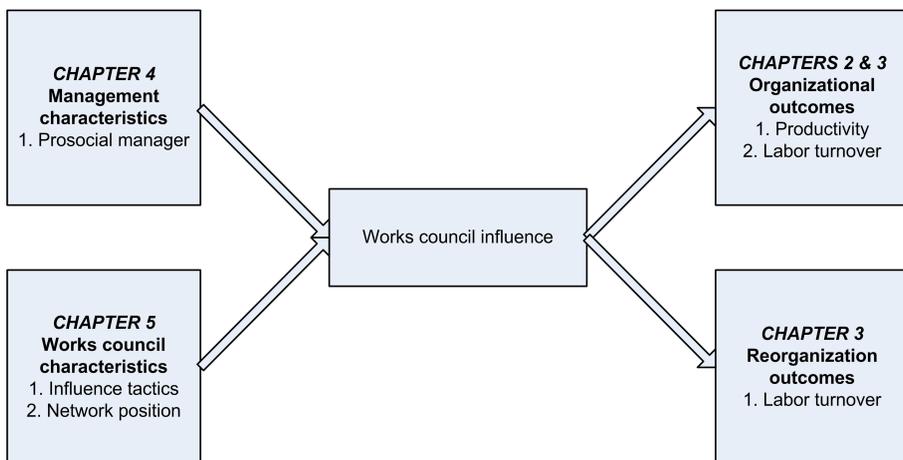


Figure 6.1: Conceptual model works council influence

6.2.1 Determinants of influence

Management attitude

A determinant identified as crucial to works council influence by many studies, is management attitude (e.g., Bryson et al., 2006; Van den Berg et al., 2011a). If management adopts a positive attitude towards employee participation, works councils can exert their influence more effectively, which in turn may lead to positive organizational outcomes. Our experimental evidence in Chapter 4 also shows that prosocial managers tend to follow works council advice more often than less prosocial managers. Conversely, Kotthoff (1994) argues that the main reason for finding such a large share of non-effective works councils is to be found in the management of the organizations. He also points to a paradox in the effect of management attitude: A positive management attitude might lead to a less strong representation of employee interests; if works councils are increasingly involved in management tasks, they might become co-managers more than employee representatives.

In the Dutch case, works councils are expected to represent both the employees and the organization as a whole. Therefore, this paradox is part of their role. We found an indication for this in Chapter 3, where we tested the effect of works council presence on labor turnover: Due to the strong dual task that Dutch works councils have, representing organizational as well as employee interests, they might not oppose management decisions in all cases. In good times, for example, works councils support hires and do not oppose layoffs. In worse economic times, works councils are found to take up a more protective role towards employees, balancing their dual task towards the employee side. Van den Berg et al. (2011b) also reveal that in times of reorganizations management attitude towards works councils changes; when management experiences increased competitive pressures, works councils are perceived to be less efficient. Managers would thus appreciate works council's input less in these times.

Social network

A second, related, determinant of works council influence is the social network the works council operates in. Several Dutch experts in the works council field acknowledge the increasing importance of works councils' network (e.g., Heijink, 2012). Informal communication and building personal relations are indicated to be important ways in which a good network can be developed, for example to be involved early on in the decision-making processes of management (Vermaak, 2011; Bijl, 2011). However, how to define a good network is often left out of consideration. A good

network can depend on the number of network partners, but also on the position in the network.

As Frege (2002) argues, the formal power, reflected by the legal power of the works council, is not sufficient to make an effective works council. In addition, we should look at the informal influence they can exert. A start with this has been made in Chapter 5, in which we examined the impact of social network position on the influence of individual works council members in one case organization. In the organization under study, no strong positive network effects were found for works council members. However, this might be due to the characteristics of the organization; the organization was small (66 employees), and characterized by a "family" culture. This indicates that the distance to management might have been short; as a consequence, the role for works councils to play in this organization might have been less important. In Chapter 2, we also find support for a difference regarding the effect of works councils between small and large organizations.

Regarding network position within the organization, we turn to the discussion of brokerage versus closure. These classic network concepts indicate how network position can lead to influence in organizations.² Burt (1992) has argued that brokerage is beneficial for performance, because a brokerage position fills structural holes. This means that the person filling up a structural hole is in a bridge position: he or she bridges a gap between two networks or two persons. In this way, he or she receives non-redundant information, because the information only flows through the focal person. This position is believed to give an advantage of control over information.

On the other hand, closure depends more on a closed network, in which social norms evolve (Coleman, 1990). This type of network position is believed to be beneficial, because it facilitates trust through the possibility of sanction mechanisms. As we have argued before in Chapter 5, we expect both relations to be important for works councils. Starting with the latter, it is important to establish trust towards the workforce, because employees need to trust that the works council will represent their interests. Trust is also important in the relationship with management, so that the works council can be involved in decision-making. Next to that, holding a bridge position between management and employees enables the works council to signal problems on the workforce, which gives it an information advantage towards management. The latter has also been argued by Addison (2009), who states that works councils can come up with new

² For a more thorough description of the concepts brokerage and closure, we refer to Chapter 5.

solutions to problems, because of the non-overlapping information they receive from both sides (labor and management).

Influence tactics

The third determinant generating works council influence is the behavior of the works council, expressed by the influence tactics they use, based on the tactics as described by Kipnis et al. (1980). The authors find that the so-called rationality tactic has been found to be the most important influence tactic overall, based on a sample of lower-level managers. Coalition forming is also important, mainly to initiate changes. For works councils, these influence tactics have been studied before by Bennebroek-Gravenhorst and Boonstra (1998). They reveal that, in a situation of change, rational persuasion and pressure were the tactics used most often by works councils. The latter tactic is specifically used more by the works councils than by the other respondents in the study (all of them management employees). The authors argue that works councils can exert pressure because of the formal rights they have. They are therefore more likely to use pressure as an influence tactic, for example by threatening to go to court.

We tested these findings in Chapter 5, finding no indication of pressure (coined "assertiveness") being an important tactic. On the contrary, the works councilors were, more than others, unlikely to use assertiveness as a tactic. This study was situated in a different context than is central to the three cases studied here, by relating to a context of change. In times of reorganization, it might well be that works councils will make more use of assertiveness. Support for a different role for works councils under different economic circumstances has been found in Chapter 3.

Furthermore, we revealed in Chapter 5 that coalition forming is important for works councils; with support from their colleagues, they might be able to make a strong case to management. Also, rationality, coming up with well thought-through arguments, seems an important tactic for works councils.

Against our expectations in Chapter 5, we found that upward appeal is an important influence tactic towards colleagues for works council members. Also ingratiation and exchange showed significant interaction effects for works council members, towards both management and colleagues and towards management, respectively. Thus, asking for support from higher-ups, showing interest in colleagues, and exchanging favors were found to be important influence tactics, next to the ones found by Bennebroek-Gravenhorst and Boonstra (1998). These results indicate that influence tactics can be important for works council effectiveness.

Operating in an MNE

The Dutch economy, characterized by a high degree of openness, is increasingly involved in internationalization. Internationalization of ownership has been found to be a large threat for the degree of works council influence in organizations (Looise and Drucker, 2002; Van het Kaar, 2008; Gumbrell-McCormick and Hyman, 2010). Works councils that operate in an MNE of which the headquarters are located abroad cannot debate the decision made by the headquarters, but only discuss the consequences of these decisions (Looise and Drucker, 2002). This leads to a lower degree of influence on all policy fields and to late or no involvement in decision-making.

According to Looise and Drucker (2002), top management can choose two different ways of approaching the works council: the "hard" line pattern and the "soft" line pattern. The first makes very clear how the power relations are divided, and that top management makes the strategic decisions. The works council is assigned a role of "controlling implementation" (Looise and Drucker, 2002: 44). The second pattern is one in which management is open to the works council, and is ready to make concessions and look for solutions. The reason management would choose this option is to avoid union involvement. They thus welcome works councils as an alternative to unions.

Looise and Drucker (2002) also describe ways in which works councils in MNEs can "fight back", based on case study evidence. The first way is by means of their legal rights at higher levels - that is, at the level of the European works council (EWC). However, the authors conclude that this way is not very successful in giving local works councils more influence (see also Van het Kaar, 2008). The second way is by forming a coalition with local management, creating a national block against foreign top management. The third way is networking, which means staying in touch with members of the top management team, for example with the Dutch members. The last two ways have a higher chance of leading to positive results, according to Looise and Drucker (2002). In our context, it is important to take into account whether the decision for the reorganization was taken by the top management abroad or by local management, and what the attitude of local management is towards this decision.

6.2.2 Role of works councils in (re)organizations

Now that we have discussed the conditions that determine works council influence, we focus on the role works councils can play in organizations generally, and during reorganizations specifically (the right-hand

side of Figure 6.1). Works councils can influence organizational outcomes indirectly through, for example, improving acceptance and representation (Van het Kaar and Looise, 1999). Most research on the impact works councils can have on organizational outcomes, is based on Freeman and Lazear (1995), who argue that works councils can have several effects on economic performance.

First, they can enhance trust in the organization by using their information rights. Because they receive information from management on organizational matters, they can test this information and monitor whether the information is correctly presented to employees. For example, in times of reorganization, the works council can investigate the necessity of the proposed reorganization, if they receive the information in a timely matter. In this way, works councils can create acceptance of the proposed reorganizations, by explaining the necessity of the reorganization to employees.

Second, the advice rights of works councils can generate new solutions to problems of management. In reorganizations, these suggestions can lead to less detrimental effects for employees - for example, if the works council is able to come up with a solution that involves less negative effects for personnel.

Third, the codetermination rights of works councils are argued to be the strongest legal rights of the works council, because they have to reach agreement with management before a certain decision can be made (regarding advice rights, management can wait a month, and still carry out its decision). This right is believed to give employees more control over their own jobs, which is argued to lead to more loyalty, and more willingness to do transaction-specific investments (Van den Berg, 2004). Furthermore, works councils can reduce information asymmetries by signaling what happens on the workforce and communicating that to management (Wigboldus et al., 2008). Also, the other way around, they can communicate management decisions to the workforce. This has been described above in the context of the social network position of works councils.

Productivity

The mechanisms above can positively influence productivity. For example, it has been shown that improved communication can increase productivity (Wigboldus et al., 2008). If employees feel that their rights are represented, they might feel more motivated to act in the interest of the organization as a whole instead of in their own interest. This can lead to higher productivity (see also Chapter 2).

In times of reorganization, communication is very important (DiFonzo and Bordia, 1999). In such times, it is often the case that management can-

not give all information to employees, just when it is needed the most, leading to a paradox. However, even though not all details can be communicated, it is important to inform employees of possible events and consequences so as to reduce uncertainty. If there is too much uncertainty in the organization, which is not well-managed, rumors will occur (DiFonzo and Bordia, 1999). The resulting organizational unrest may generate negative organizational outcomes. Cascio and Wynn (2004) and Bastien (1987) also emphasize the importance of communication. Moreover, they point to the importance of having employees participate in the reorganization process. Works councils can take up this role of communication and participation, by communicating management decisions to the workforce, and by participating in decision-making processes by executing their legal rights (giving advice on the reorganization). By creating acceptance, they might stimulate employees to not sabotage work and to keep working in the interest of the organization.

Labor turnover

Next to effects on productivity, works councils can have an effect on labor turnover within organizations. This has been shown before in German research (e.g., Backes-Gellner et al., 1997; Dilger, 2002) and Dutch research (Chapter 3). The argument here is that works councils represent the voice part of the exit-voice framework developed by Hirschman (1970). He argues that people have the choice to exit an organization if they are not satisfied, or to raise their voice. This theory has been applied to unions by Freeman and Medoff (1984), who indicated that unions can fulfill the voice role. Likewise, research has shown that works councils can take up a similar role. In so doing, they may reduce turnover. German research mostly expects, and finds, a negative effect on all types of turnover; voluntary quits, involuntary quits (layoffs) and hires (Addison et al., 2001; Dilger, 2002).

In a first Dutch econometric study on the influence of works council presence on labor turnover, we show that these effects are different in the Netherlands, and also dependent on contextual factors, such as economic circumstances (Chapter 3). In good economic times, works councils are not necessarily protective of employee interests. We argue that this is the case because of their strong dual task; they have to act in the interest of the employees and the organization as a whole. In good economic times, the chances for employees to get a job elsewhere are higher, making the works council more reluctant to fight layoff decisions of management in good economic times. Also, the works council welcomes new hires in good economic times, contrary to the argument of insider protection made be-

fore by Addison et al. (2001). In bad economic times, works councils do take up a more protective role, by having a subduing effect on voluntary and involuntary quits. In bad economic times, we found no effect on hires.

Employee benefits

In the context of reorganizations, works councils can have an effect on employee benefits, such as for example, as laid out in the social plan negotiated after layoffs. The formal role of bargaining the social plan lies with the union. However, the works council can play a role in this as well. For example, the works council and union can cooperate in the negotiation of the social plan. One of the reasons mentioned in the case of the works council agreeing on layoffs, is that they might have a say in the negotiation of the social plan, and in that way contribute to the outcomes for employees.

A social plan includes agreements on the rights of the people who are to be laid off. It is often negotiated in case there is a larger number of layoffs occurring in the same period. The agreements concern, for example, the facilities that are offered to find a new job (such as training, and work to work services). Next to that, the social plan contains the so-called "kantonrechttersformule", which is the legal formula in the Dutch social plan, indicating the amount of money laid off people will receive as severance pay. The total sum of money is paid at once to all laid off people. The formula consists of the (monthly) wage and a factor for the years of employment, and is multiplied by the so-called correction factor.

A correction factor of 1 is perceived as a neutral correction factor. The factor is determined according to the degree to which the organization is to blame for the layoffs. Usually, the factor is between 0 and 2. The labor market position of laid off employees is also taken into account in deciding upon the correction factor. The average correction factor in the Netherlands is 0.9 (Knegt and Tros, 2007).

6.3 Methods

6.3.1 Case selection

We select three organizations to answer our research questions, to be able to compare cases and, in that way, increase the reliability of our findings. Because one of our research questions concerns the role of works councils during reorganizations, the main criterion is whether organizations have been through a reorganization. The cases are thus selected on the criterion of going or having been through a reorganization. In an earlier stage, all

works councils under study have asked professor van Witteloostuijn³ for advice, which is one of the legal rights of works councils in the Netherlands.

The fact that the cases have been selected on the basis of former involvement with professor Van Witteloostuijn, and myself in one case, has advantages as well as disadvantages. One of the advantages is that documentation is available, and that we have access to the organizations. A second advantage is that the cases are comparable, because they have all followed a similar procedure leading to their advice; we selected the cases to be as similar as possible, to be able to compare them on the important diverging dimensions (differences in the reorganization context).

A disadvantage is that the cases are selected on the basis of their request for advice. This might indicate that we are describing works councils that function relatively well, because they use their right to call in external advice, which indicates they are aware of their legal rights, and use them. Also, the respondents might be biased in replying to the questions, because of the interviewer's (direct and indirect) involvement with the organizations. Although we cannot be sure whether the results had been different if the cases would have been selected on a different basis, we do not think this fundamentally influences our results. The external advice during the reorganization has probably been given more attention during the interviews than it would have been given otherwise, but this is not the focal aspect of our analysis.

The organizations are similar in terms of a number of characteristics. All three organizations are part of larger European or global multinational companies. All of the organizations operate in more than five European countries or worldwide, and all employ more than 10,000 people, of which the main part is working in production.

The information provided by the organizations is sensitive, because it regards organizational characteristics, but also personal information, such as conflict situations between management and works councilors. Therefore, we guaranteed the interviewees anonymity. We do not give details of the reorganizations that could reveal the identity of the organization. For example, this concerns the exact dates of when the reorganizations took place or the gender of the interviewees. We believe that for the analyses of the cases, this information is not relevant. We thus use different names for the organizations, and refer to all interviewees as male (i.e., he/him). We selected three cases; we will call them A, B and C.

³ We thank Arjen van Witteloostuijn for providing us with access to the organizations under study.

Case A

Case A has gone through a reorganization in the past, and is still facing constant threats due to the characteristics of the market it operates in. This organization employs around 11,000 people in several European countries. Before the reorganization, this organization employed approximately 650 people. Seventy-five per cent of the workforce are production workers. The workforce is divided over two locations following a merger of two companies, of which one is traditionally highly unionized and the other one less so. It was hard to unite the two companies, both having divergent terms of employment, which had to be unified. At the moment, around 40 per cent of the workforce is unionized, which is perceived as high by management, but as quite low according to works council respondents.

The works council has 11 members, from both locations. For the last ten years, there has been one works council for the two locations. Before that, there used to be two councils, even after the merger of the organization. This difference is still perceived in the organization, as well as in the works council. Next to the works council, there is a European works council at the corporate level, and there are subcommittees in the organization. These subcommittees are installed to deal with location-specific matters, while the works council deals more with organization-specific issues. The subcommittees are divided according to different organizational disciplines. The members of the subcommittees are not elected, in the way members of the works council are, but instead are asked by the works council members to participate. The chair of the works council is present in the subcommittee meetings, to keep the link between the works council and the committees. The works council often delegates location-specific tasks to the subcommittees.

The reorganization: Case A faced a difficult period, because the financial results had been deteriorating, and there was no indication of improvement in the (near) future. Competition on price in the market was very tough, and the organization in the Netherlands was dependent on one large customer. Also, the competition with organizations in foreign countries was high, and the product produced in the Netherlands was not in demand in other countries.

Management wanted to save costs to survive on the Dutch market. The organization needed to transform from a production-oriented to a commerce-oriented organization. Management proposed to cut around 90 jobs, in production as well as management. A social plan was negotiated with the unions to support those who were being laid off.

The works council requested external advice, because they were look-

ing for confirmation of their presumptions of the organization being top-heavy; employing too many support staff compared to production staff. As a second reason to request external advice, two works council members mention that they also wanted to thwart management. The opinions about the advice are diverging: the works council respondents state that it confirmed their presumptions, and that management was impressed. The directors, however, point out that they agreed on the conclusions of the report, which pointed in the direction of a need for a drastic reorganization. However, both the current and former director state that some parts of the report were divorced from its particular context, and were used by the works council to argue against the reorganization, while the report in general agreed with the management's reorganization plan.

The works council advised negatively on the plans of management. They formulated certain conditions that had to be met by management before they would be willing to give positive advice. The works council thus gave a "negative, unless" advice, instead of a "positive, provided that" advice. The works council stated that they were not convinced that the proposed plan would lead to a long-term sustainable position in which the continuity of, and employment in, the organization would be guaranteed. In the end, three months after receiving the request for advice, the works council advised positively regarding the planned reorganization, under certain conditions. Management at that time had also told the works council that they would carry through their decision anyway, because they did not see serious objections posed by the works council. The works council did not have an effect on the outcome of the reorganization, nor on the implementation of the reorganization.

Case B

Case B had gone through a reorganization in the past, which ended up in the closure of the plant, as a solution to overcapacity in the market. This organization employs around 30,000 employees over more than 30 countries worldwide. In Case B, approximately 350 employees were employed, before the closure of the organization.

The works council consisted of nine people. After outsourcing the maintenance part of their organization, two members of the works council had to leave. The works council had one member in the European works council. Some new members had recently joined; before that, turnover in the council was low. There were relatively few white-collar employees taking part in the works council; the largest share was working in production. The chair of the works council was relatively new to the works council. After one year, he became chair, and very soon after that he was

confronted with the plans for closure of the organization.

The reorganization: Even though the industry was facing competitive pressure, Case B was still doing quite well as a factory. One year earlier, top management proposed a profit improvement plan, which needed to improve the performance of Case B. Case B made the right choices, and developed into an example factory for others within the MNE. Nevertheless, top management decided to close the factory, due to overcapacity in the market, and due to high costs, which was expected to lead to losses in the long run.

The MNE's top management of Case B gave the local director of Case B the assignment to close the factory. Alternatives were not investigated by top management, because they saw no future for the factory. Top management indicated that in the case that the works council wished to research alternatives, they were free to do so. However, top management warned that chances were very small that these alternatives would turn out to be viable.

The works council hired several external advisors to give advice and support to the council during the process. Within the works council, there was no agreement on the choice of the advisors. Moreover, management did not agree on works council's choices. According to the works council chair, this caused management to not cooperate fully in the investigation of the external advisor. The alternatives sketched by the external advisor led to new hope for the works council.

The HR manager emphasized the importance of the works council being able to play their role. Therefore, management agreed quickly on hiring several external advisors. The quicker these persons came into the organization, the quicker the decision-making process could evolve. It is clear that the HR manager was not planning to take this external advice very seriously, because according to him it only confirmed what the works council wanted to hear: "Not: 'Which arguments do we need to say yes or no', it's the other way around: 'We need to find arguments that support *no*.' And on those grounds, a consultant is selected."⁴

After three months, in which the works council hired several external advisors, the works council gave a negative advice regarding closure of the factory. The reason was that several viable alternatives had emerged from their investigations. The results of their investigation were presented, at the level of the MNE's top management, who listened to their alternatives, but maintained their decision to close the factory. The works council contemplated going to court, but decided not to after consulting with the employees; around 85 per cent of the employees did not agree on fight-

⁴ All quotes have been translated by the authors from Dutch to English.

ing on for a future for the factory. The works council changed its role and focused on the social plan, and the redeployment of employees. In Case B, the works council did not affect the outcome (closure of the plant), but they played a substantial role in the process afterwards.

Case C

Case C was going through a reorganization at the time of this research, due to the characteristics of the market they operate in. This organization has about 30,000 employees in around 30 countries worldwide. In the plant under study, there were 180 employees, before the reorganization. The organization has had a new owner for the past one and a half years, who has shifted decision-making more and more to the top management levels. Therefore, the plant now becomes more of a production location.

The works council had nine members at the moment of reorganization. Because layoffs have been planned, they expect to have to downsize afterwards to seven members. The council consists of a good mix of people, from all layers in the organization, and with different expertise. There are several members with long tenure and much experience, and also some younger members. There is a central council in the Netherlands, and a European works council. On both levels, members of the local works council are represented. The works council is built up as much as possible according to union distribution over the organization. Almost 90 per cent of the workforce are union members, and this is reflected in the works council. The works council does have regular contact with the unions, but the unions do not play a big role in the works council discussions.

The reorganization: Case C faced a difficult time because of less demand for their product, partly due to the economic crisis at the time. Also, the quality of competition had increased, making it harder to sell their best product, leading to fierce price competition. To be able to compete, costs needed to be reduced.

Management proposed to cut 48 jobs, mostly in the lower regions of the workflow. A social plan was negotiated, and the laid off people were given the opportunity to apply for one of the 13 jobs that were made available in one of the other Dutch plants of the MNE.

The works council employed an external advisor in order to gain an external view on their organization and the reorganization plan they were confronted with. The advice they received strengthened the presumptions they had that there was no well justified reorganization plan. Management was sceptical at first about hiring an external advisor, because it was costly. The argument of the works council that the reorganization in itself was much more costly and that these advisory costs were only a small

proportion of the reorganization costs, was convincing. Agreement of top management in the Netherlands was necessary, and top management did so after the works council explained the importance. The works council wanted to show the employees that it did what it could, and took into account several viewpoints, in coming to its advice.

After three and a half months, in which the works council consulted with external advisors, the works council advised positively on part of management's plan. This advice was a joint product of management and works council, and was agreed to following several meetings and draft versions. The works council stated that the original plan was not well thought through, and would not lead to improvements in the organization. The works council advised positively on reducing 25 jobs, and eight jobs conditionally on investments which still had to be decided upon at the time of study. If the investment decision was to be made later than eight months after the advice, the works council announced that they will demand a new request for advice regarding the eight jobs. In Case C, the works council thus prevented the reduction of at least 15 jobs.

6.3.2 Data sources

We used two sources to gather data. A first source of information is the documentation of the reorganization. This includes the advice asked for by management about its reorganization decision, the reply of the works council, and the social plan that was agreed upon. Second, we obtained information from interviews. By using several sources of information, we meet the principle of data triangulation (Yin, 2003).

Before we conducted the interviews at our selected organizations, we had two pilot interviews to test the interview instrument. We spoke with two works council members. The first interviewee was working at a Dutch government agency, consisting of several divisions in the Netherlands, employing approximately 2,000 employees, and going through ongoing reorganizations. The second interviewee had recently retired from a large retail chain in the Netherlands, employing about 10,000 employees, owned by a private investment firm. This interviewee has been through several reorganizations, involving reorganizations on the international level. The pilot interviews both lasted around one and a half hours. These interviews helped shape the interview instrument. Also during the series of case interviews, adjustments to the instrument were made.

One purpose of our study is to explain the processes by which works councils influence organizational outcomes. This means that we are searching for evidence of the theoretical processes described by, e.g., Freeman and Lazear (1995), and indicated by the findings of "dummy variable

studies", such as those performed by, e.g., Addison et al. (2001). The second purpose of our study is of an exploratory nature, namely identifying important variables regarding the influence of works councils on (re)organizational processes, which can be tested further by means of future empirical research. To serve both purposes, we developed an interview protocol to hold semi-structured interviews, leading to explanations as well as explorations. The interview protocol used can be found in Appendix E.1.

In every organization, we selected at least two works council members, the director who consults with the works council, and an employee. During the interviews, we were repeatedly referred to other important people to speak to. For example, in Case A, in the interviews with works council members, we were referred to the chair of the works council during the reorganization, who was not active anymore as a works council member at the time of the interview. Also, we were referred to the former manager, who had left to lead another organization. In Table 6.1, the cases and interviewees per case are presented. In total, we held 19 interviews with 20 respondents. Two of the respondents indicated that they preferred to be interviewed together, to give the correct facts of the reorganization. Also after making clear that we were interested in their personal perception of events, one of the interviewees insisted on having the interview together with his colleague. During the interview, his opinion was regularly overruled by his colleague.

Next to the opinion of the works council members and management respondents, we are interested in the perception of employees; what do they know of the works council and how do they perceive the role of the works council during the reorganization? In every organization, we asked the works council members to select one or two employees for us to speak with. We are aware of the fact that this one (or two) employee(s) is (are) not representative for all employees in the organization, for example because of gender division and differences between white collar and blue collar employees, to name a few. However, the purpose of case studies is not to generalize to the population (of employees), and thus we believe that one or two employees in these cases are enough to give us some insight in employee perceptions. Also, the employee respondents, although selected by the works council, were not particularly knowledgeable or favorable of the works council and its performance.

We held semi-structured interviews, using the interview protocol mentioned above, and leaving room for the respondents to elaborate on important topics. The interviews, on average, took 1 hour and 25 minutes, with the shortest one being 1 hour and 6 minutes, and the longest one 1 hour and 51 minutes. The interviews were all conducted by one of the

researchers, and recorded after the approval of the interviewees. The interviewees all received a summary of the interview, which they could comment on in case of any misunderstandings.

6.3.3 Data analysis

The data analysis involved three steps. First, after transcription of the interviews, the data were coded. In this process, we made use of provisional coding and pattern coding (Saldaña, 2009). Researchers often use different cycles of coding their data. Provisional coding is a method used typically in the first cycle, and makes use of a predetermined set of codes. These codes can be based on literature reviews, research questions, previous knowledge et cetera. A challenge with this type of coding is that with predetermined codes, you might look for certain events. Therefore, you should not stick too strictly to your provisional codes, but be open to changes. We started with a list of provisional codes, based on the questions asked in the interview protocol, and based on our research questions. During the process, we encountered several new topics, which led us to the second cycle of coding, in which we made use of pattern coding. By means of pattern coding, the researcher looks for certain themes in the data. In this way, certain processes can be clarified from the data, in our cases, for example, communication and reorganization. We ended up with eight main categories, for example "Goal of the works council" and "Communication", each containing several sub-categories. In Appendix E.2, the list of codes is presented.

To ensure the correct interpretation of the transcripts, two researchers were involved in the coding. By having both authors interpreting the data, we made sure we have investigator triangulation (Yin, 2003). We independently coded the data, and compared our coding. We discussed our discrepancies until we reached agreement on the codes. We used the free software WeftQDA to categorize the interviews, to ease interpretation (WeftQDA, 2006). The second step consisted of within-case analysis. In this step, we searched for patterns within the separate cases; in what way does the works council try to influence policies, what is its role in the reorganization, and what is its influence in matters of productivity and labor turnover? In the third step, we compared the three cases, to find out whether different characteristics led to different results regarding these questions.

Table 6.1: Interviewees

Respondents	Case A	Case B	Case C
<i>Works council</i>	Works council chair	Works council chair	Works council chair
	Former works council chair	Works council secretary	Works council member and former works council chair
	Works council secretary	Works council administrative secretary	Central works council chair and works council member
	Works council member		Works council member
<i>Management</i>	Director	Director	Director
	Former director	HR manager	
<i>Employees</i>	Employee	Employee, still working at mother company	Employee
		Employee	

* The respondents in Case B all concern "former" members of the organization

6.4 Results

This section describes the results from the separate cases, and compares them in the last subsection. First, we describe the factors that we identified by using theory about works councils. In addition, we describe factors we identified during the case analyses that suggest new insights that, in the last subsection, lead to testable hypotheses. In Tables 6.2 and 6.3 we present a comparison of the cases on the different outcomes and determinants.

6.4.1 Case A

Determinants of influence

Management attitude

In Case A, the works council respondents indicate that during the reorganization the director in place perceived the works council as an obstacle in managing the organization. According to the works council respondents, the director preferred the works council not to ask questions or dig deeper into topics. Also, it was said that the director approached people in higher positions to join the works council, because he, as stated by a works councilor, "felt too good to talk to the production employees."

Interestingly, the former director himself indicates that he is very supportive to the existence of works councils and that he takes them very seriously. One condition, however, is that you work together towards a common goal. The relations between the director and the works council were not cooperative, and therefore the attitude of management might have been affected negatively.

The works council members are satisfied with the way the current director deals with the works council. They do, however, mention that he is too commercially focused. The director, on the one hand, mentions as a positive aspect that works councils can prevent a too high involvement of the union. On the other hand, according to him, works councils have too much power in the Netherlands, especially if you have to operate in an international context: "It should of course not be the case that the Netherlands become a kind of paradise for employee interests."

Social network

During the reorganization, the relation with the director was perceived as distrustful. The director was stubborn in his decisions, and did not want to discuss or hear other opinions. There was hardly any room for discussion.

The relation was characterized by conflict, in which the works council played a role of threatening with lawsuits, negotiating about everything, and paying attention to all minor details. During the reorganization, the works council actively delayed decision-making, and did not act in the interest of the organization as a whole. The former chair of the works council gives a more nuanced view and states that the relationship improved over time. This nuance is not mentioned at all by the works council members we interviewed who are currently still in place.

The current director is aware of the conflicted relationship that existed between the works council and his predecessor, because at the time of the reorganization he already held a position in the management team. He mentions that the former management did not talk *with* the works council, but rather *about* the works council. As director, he consciously takes a different role, namely one of cooperation and consultation. He believes that the works council and management should work together, in a relationship of mutual respect: "My story is not substantively different than that of my predecessor, only at a certain moment they just disliked him."

The relation with the current director is much more informal, and contact occurs on a more regular basis. The good cooperation is sometimes questioned by outsiders, such as the former works council chairman, who states that the works council now comes up with "positive advice, positive advice, and positive advice; you sometimes wonder: Do you still look at it critically? Or did you lose a part of your critical view?" This sentiment is also recognized by the director.

The works council members indicate that they did try to communicate with the workforce, for example through information letters and letters in the coffee rooms. However, all respondents agree that the works council did not communicate well with the employees on the workforce. The works council members express the intention to communicate more with the employees. The director and two of the works council members indicate that the employees did know where to find the works council members. There was also informal communication with the workforce. However, according to the director, this was often not structural or well thought-through, and mostly with people working closely with the works council members.

The works councilors fulfill a bridge position, to signal problems on the workforce. Ideally, this is done by management first, but they do not signal all problems. The former works council chair describes this bridge position as a way to confirm things that the works council hears from management, by asking employees. Also, employees do not always dare to speak up to management, and in that respect it is easier for them to turn to the works council.

Influence tactics

Influence tactics used by the works council are: trying to be involved in a timely manner in the decision-making process, behaving proactively, and trying to gain information in an informal matter. With the current director, this is more successful: the works council receives enough time and space to perform its tasks. Management is often given a chance to pursue their policies, under the condition of a future evaluation. During the reorganization, threatening going to court was one of the strategies used by the works council, as well as taking the procedures very literally.

Operating in an MNE

The director indicates that decisions are largely made autonomously by local management, but are of course discussed with higher management. Regarding the reorganization, the decisions seemed to have been made only by the former director and (part of) the management team. The former director received the assignment to keep the main customer on board. His perceptions when entering the organization however led to the broader reorganization plans. The former director did not support the view of top management about the state the organization was in: "I received an assignment, and once I entered, it appeared that headquarters had no idea what was going on in that organization." According to the former director, top management only gave him a minor task, but "nothing made sense in the organization", so everything had to change.

The director mentions that the Dutch works council system is difficult to explain in international relations, and also can lead to frustrations. The works council describes that top management invests in its relations with the works council, because it knows that the works council can oppose certain decisions.

Internal relations

Internally, the works council was divided during the time of reorganization. Some of the members were more "management minded", which was not accepted by other members of the council. The former chairman of the council describes that the way of working in the council eventually cost him his position; he decided to quit from the council. The works council depended highly on individuals in the group. According to the employee respondent, the works councils could not be regarded as a group. This also surfaced during meetings with the director; discussions among works council members would arise during meetings.

The works council depended on a few strong individuals, whose influence on others was decisive. The former director describes that this led other works council members to keep quiet in meetings. Two of the works council members ascribe this to a lack of effort from the side of the other works council members. According to them, they have to do all the work, and the other members do not put effort into the works council. They distinguish between "leaders", "sitters", and "sleepers": those who take the lead and carry out works council tasks, those who are just there for their own (department's) interests, and those who are just interested in sitting at one table with management, but are never well prepared.

The determinants described above have been identified in former literature and have been described in the theory section. The aim of the current chapter is also to explore new factors of influence that have received no or little attention in the literature on works council effectiveness so far. Below, we describe determinants that arose from our analyses of the interviews and documents.

Goal perception

The goal of a works council, according to most respondents, is to strive for the continuity of the organization. The director adds to this that the works council is a touchstone for support in the organization, and a representative for the employees. Furthermore, he mentions the works council as an "alibi to achieve changes."

The works council had difficulties with its role in the sense that some of the members gave much attention to individual cases, while that is not the role that they should play, as described in the dual task of the works council. Keeping in mind the interests of the organization as a whole was hard for these members.

In practice, the works council could fulfill its role reasonably well, until the point that the members' own departments were concerned. Individual interests played an important role for the works council members. This was not perceived as a negative characteristic by all respondents; the employee respondent, who was part of one of the subcommittees of the works council, indicates that the works council should be there for individual cases as well. The former director of the organization states that the larger part of employees were not satisfied with the works council, because the members could not realize the promises they had made to individual employees, because this was not part of their role as a works councilor.

Reorganization procedure

As described above, the process of the reorganization was hard in terms of management-works council communication. The documentation shows that the communication was very formal; a request for advice was followed by a negative advice, which in turn led to a reaction on the advice, followed by the final positive advice. According to the former chairman, this advice was the most well-thought through and well-argued advice the works council had ever given, in his experience as a works council member. The negative advice was "only" four pages long, and contained no reasonable arguments to not carry out the reorganization, according to the former director. Because the former director had already expected to receive a negative advice, he made sure to exactly follow the procedures, so that he could not be opposed on that issue. The works council members contradict each other in the sense that two works council members state that there was no room for participation in the decision-making whatsoever, while one of the other works council members indicates that all information was available, and that there was room for participation in the decision-making process.

The role of works councils in (re)organizations

Productivity

All respondents agree that a works council can have a role in increasing productivity. Works council members mainly perceive this role as shaping the right conditions for employees, such as having safety regulations in place, because this may lead to higher motivation in employees. The work atmosphere is important, and the works council can contribute to that too, by trying to influence the working conditions and by showing that relations with management are good. If relations with management are not good, this will be noticed by the workforce, which will lead to unrest. Also, the former works council chairman indicates that the fact that the communication of the works council leaves much to be desired, and demotivates workers: "We do of course have a discouraging issue, which is the fact that we do not always communicate in the right way. And that demotivates."

Labor turnover

There is not much labor turnover in the organization; people hardly leave voluntarily. The respondents do not believe that works councils have or should have influence in matters of voluntary quits. If people decide to

leave, it is their own decision and they should not be obstructed by anyone. The works council does not oppose hires, and is not against hiring agency workers, if needed. If the works council should have influence in matters of labor turnover, most respondents expect this to be through regulations. These can be regulations regarding turnover, such as early retirement, or general regulations, such as paying more than other organizations, so that people do not want to leave to work at other organizations. Next to paying more, it is important to be able to solve problems for employees, so that they will retain their motivation. The works council can do this by signaling these problems, and mentioning them to management.

During the reorganization, no layoffs have been prevented, according to the majority of respondents. The former director also indicates that this should not be the goal of the works council in the first place. Rather, they should look at the best way to handle the reorganization. According to the chairman of the works council, several layoffs have been prevented, namely through individual cases in which people fought the layoff decision. According to the former chairman, the role of the works council during the reorganization was mainly trying to ease the pain of the employees by negotiating a good social plan, with the help of the unions.

Employee benefits

The union played a role in negotiating the social plan, but other than that the role of the union was disappointing to the respondents. The works council members mention that the union decided, without support of the works council, to call for employees to sign a petition of mismanagement, which was in the end prevented by the intervention of the current director (back then in a different role). Also, the former director mentions that for the unions, the concern was to recruit new members, and the goal was to get a good social plan, instead of helping people to go from work to work. The social plan that was agreed upon was valid for a period of two years. The correction factor of the social plan was 1.0. As described above, this is regarded as a neutral correction factor.

Looking back, the opinions on the reorganization are mixed. For the works council members who are still there, it was the "worst reorganization ever." The current director agrees that the reorganization was not very well thought through and that it might have been better if it were executed in smaller pieces. According to the former works council chairman, this reorganization was necessary and has been good for the organization. Two works council members do not agree because, according to them, most of the decisions have not been implemented or things have returned to the old situation.

6.4.2 Case B

Determinants of influence

Management attitude

In Case B, management tried to work constructively with the works council. Management was not particularly in favor of the works council, but they did perceive the works council as more than just a legal obligation. Both director and HR manager were not particularly positive about how a works council can contribute to the organization.

The director states that a works council is very important to have in an organization, because you need to consult with it. However, he does not believe a works council can have (positive) influence on organizational decision-making; if a works council has influence, this usually means bad news for the organization. More than that, in the situation where a works council would be able to change a big decision such as a plant closure, he states: "I would be surprised, but if it would be the case, it means that the management team is not worth its name. Then I would take the chairman of the works council, and I would make him the director."

The HR manager indicates that works councils usually do not have influence on the decision, but that they can have influence on the implementation of the decision. He also points out that most works councilors, due to their limited abilities to think in abstract terms, need a lot of support in performing their task.

The director was perceived by many as the "closing director", who had known from the moment he entered that the organization was going to be closed, and who did not feel any emotion or urge to fight for the future of the factory. However, the director himself states that it was a very difficult process for him, and that he was not initially sent there to close down the factory, although he is aware of the perceptions of him being sent there for that purpose. There was a clear conflict of interest for the director, because he was loyal to the organization as a whole, not just to the Case B factory. Also, it became quickly known that he would get a new job as director of one of the other factories. People thus perceived his role as loyal only to the MNE's top management instead of the local organization.

Social network

The director of Case B was a foreigner, and consequently was less familiar with Dutch works council regulations. The Human Resource manager therefore played a big role in Case B, and engaged in most negotiations with the works council. The relation between management and

works council was very formal. Everything was formally arranged; minutes would go back and forth, because the director did not agree, or indicated not to have said certain things. Even though the relation was formal, there was cooperation between management and the works council to a certain extent. The director was accessible. The perception of the works council's administrative secretary is however different: he states that the works council was perceived as the enemy, and that the director would of course *say* he values employee participation, because all directors do so.

Trust is seen as an important condition for a good relation, as described by the HR manager. However, the relation between management and the works council was not characterized by trust. If the HR manager suggested something to the works council, a suspicious reaction would follow because it came from him, so they should better not do it. Also, the HR manager describes that management was often present on the workfloor, among other things to verify the information the works council brought into the organization.

The relationship between management and works council changed during the reorganization. According to the HR manager, under these circumstances, cooperation was impossible. Also, the works council officially declared not to trust management anymore.

The chair of the works council emphasizes the importance of communicating with people on the workfloor. The works council put effort into the communication, and tried to reach the employees by means of distributing minutes of their meetings, using intranet to inform employees, having a special office hour, and informally informing people on the workfloor. During the reorganization, they installed a specific website to keep people up to date on the developments. Furthermore, they consulted all employees on what further steps to take by means of a referendum. According to one of the employee respondents, the employees were well-informed during the reorganization.

The HR manager does not believe that works councils - in general - can fulfill a bridge function. Works councils can have a clear informative role. To bridge the two parties, management and employees, you need to be able to take a position in between the two parties. However, according to him, works council members act with too much emotion, making it impossible for them to play this role. Their role is mostly to signal problems, but they think in contradictions too often. Others see a bridging role very clearly for the works council; for example, they state for Case B that employees went to a works council representative more easily, because then they did not have to go to management directly. In this way, they used the works council.

Influence tactics

According to the HR manager, works councils should try to gain influence by communicating informally, and by trying to obtain the trust of management. However, there are not many that try to pursue these strategies, because it is often not seen as being a good way to go about things, certainly not in works councils that are highly influenced by unions, and are more against management. The strategy the works council at Case B used, according to the HR manager, was to delay, so that they would have more time. A strategy mentioned by the works council members is that they try to give well-argued opinions. Both the HR manager and the chair of the works council indicate that the works council decides upon its own influence; this does not only depend on management attitude, but also on works council attitude, and the extent to which they take themselves seriously.

According to the HR manager, it was a matter of the strongest coalition in the works council pursuing their interests. Coalition forming might not be a tactic for the works council in the sense that they actively form coalitions on the workforce. However, coalition forming might be an individual tactic, by which works council members may try to pursue their personal goals, or the goals they consider best for the organization.

Operating in an MNE

The decision on the closure of the factory was made by the MNE's top management. They gave this assignment to local management, which had to carry out this decision. During the reorganization, the dependence on the mother company became clear. As one of the employee respondents says: "The mother company was totally disconnected from what happened. They only pulled the strings and at one point decided to cut the strings." The HR manager describes the definitiveness of the decision as follows: "I imagine [the top manager] sitting behind a chessboard, where all pawns are factories, and every once in a while one of them falls off left or right, and a new one will be added. And he is not going to say: 'I will withdraw that decision'."

The HR manager describes that it is difficult for a Dutch plant to operate in an MNE because there is a culture shock in other countries regarding our works council system.

Internal relations

The works council was divided during the reorganization. Part of the council wanted to try and investigate alternatives for the factory, while

the other part gave up fighting after a while. Works council respondents indicate that even though this internal division was present, the works council decided that they would fight, and also communicate to the outside world that they were convinced of a future for the factory. The HR manager, however, states that some works council members approached him personally to make sure that he knew they did not agree on the decisions made by the works council.

The respondents agree that individuals had a high influence on group performance. One of the employee respondents indicates that he perceives the chair as the face of the works council. By most respondents, the works council was perceived as a group, speaking with a collective voice, even though, during the reorganization, it was recognized that not all works council members agreed upon fighting for the continuity of the factory.

Goal perception

The goal of the works council is perceived differently by the different respondents. The director describes the goal of a works council as one of keeping the discussion going between employees and management. Furthermore, he mentions the role of informing management on wishes that exist on the workforce, and of translating management policies to the workforce. The chair of the works council argues that the works council should mainly hold up a mirror to management, to confront them with the possible consequences of their policies. A works council member thinks the role of the works council is monitoring. One of the employee respondents states that the works council should make working in the organization more bearable.

Not many respondents directly refer to the dual task of works councils. The director mentions that the works council did a reasonable job in defending employee interests, with the continuity of the organization in mind. However, according to him, retaining jobs is always the works council's main goal, so they can never reason only with the interest of the continuity of the organization in mind. One of the employee respondents also refers to the difficulty of the dual task and argues that it is impossible to find a good compromise between employee and employer interests.

During the reorganization, it was hard for the works council to perform its dual task because it was not clear to them what the interests of the different parties were. The administrative secretary refers to the difficulty of assessing what the employee interests were in that situation: "I can also think that, if you would have looked at the employees, you should have let them go with the money bag."

Reorganization procedure

During the reorganization, the role of the local management changed. The HR manager became even more important, because he was asked by top management to take up the role of dealing with the works council even more than before. This also meant that the director was excluded from the meetings with the works council.

As described above, the works council was presented with the closing plan at the same time as it was asked for advice by management. The decision was already made, but because of formal rules, the works council had to be asked for advice on the closure of the factory. The works council fought for keeping the factory open. However, most respondents agree that there was no way they could have won this fight. The chairman and secretary of the council had a leading role in the reorganization process; they were convinced that there was a future for Case B. However, looking back, the secretary explains that he now has the feeling that they had been presented with unjust information - that, in the end, the decision was already made and (top) management was not willing to listen to alternatives anymore.

The works council advised negatively on the closing down of the factory. In retrospect, the works council also advised negatively on a former decision, which in the light of the factory closure was declared bad governance. Management expected this reaction, and also found it normal.

After the decision that the closure would definitively go ahead, the works council contemplated bringing an appeal against the decision to court. The works council organized a referendum in which they asked the employees whether they should go to court to fight for continuing the factory. The majority said no, and opted for the money that came with the social plan.

The role of works councils in (re)organizations

Productivity

The works council can have an influence on productivity, if it is aware of its role. At Case B, the works council was aware of it, according to the director, and thus could play a role in improving productivity. This could, for example, be done by motivating people, giving them the feeling that they are heard, informing them, but also explaining the interests of the organization to them. The chair of the works council states that stimulating people to work harder is mainly a role for management, but the works council can think with management about improvement processes. The HR manager argues that there is only a minor role for works councils in

influencing productivity, namely translating management policies to the workforce. Rather, productivity is influenced by leadership style.

Labor turnover

Also regarding labor turnover, atmosphere and motivation are factors that are important. If these are both good, people will be less likely to leave. The secretary states that if a works council only does what management imposes on them, people will be more likely to leave. However, similar to Case A (and Case C as well), labor turnover was low in this organization; people had a tendency to stay with the organization for a long time. The respondents do not think a works council can have much influence on labor turnover. If people want to leave, you should not stop them from leaving. The works council can signal problems, and via regulations, try to influence labor turnover. There is not much trust in the ability of the works council to influence organizational outcomes. The works council did not influence labor turnover in the closing down of the factory; every employee was laid off.

Employee benefits

As soon as the decision to close down was made final, the works council took up the role of supporting employees in moving to other work. Also, they had a role in negotiating the social plan, together with the union. The role of the union was helpful, although the union had different interests, and advised the works council to not hold a referendum, because they had a mandate to make the decision themselves.

The secretary of the works council is convinced that fighting for the continuity of the organization led to a better social plan in the end, because there was more time to negotiate the social plan: "I think that we got more out of it, due to following the process of closing the way we did." Also, one of the employee respondents argues that, "if the works council had not been there, it would all have looked much gloomier."

Even though the factory would close, the respondents were very positive about the process of closure. Most of them acknowledged the large role the works council had in this. Even though the journey was long and the belief in a positive outcome for the factory diminished over time, they were glad there was a group fighting for them. Where some would expect sabotage, and strikes, every employee acted in the interest of the organization, and did not consider quitting or reducing production. This was due to the fact that they were "Case B people", as several employees note.

At a certain point, however, the process took too long, while the social plan was already known. Several of the respondents indicated that the social plan had "a golden frame" and that it was "an offer you can't refuse." The social plan had a correction factor of 1.4 and was valid for one year. This high correction factor was due to the fact that the factory did not have to close down because of financial reasons; it did not face losses at the time. However, top management wanted the overcapacity off the market. The respondents have different views on who arranged the good social plan: some argue the works council played a big role in this; others state that top management came with a proposal from one of the ex-Case B managers; and yet others believed that the HR manager had a big role (especially the HR manager himself emphasizes this).

The organization was perceived as very social, and many people are sad when they look back upon the time, because it was such a nice place to work. The works council secretary: "I have always said, if they call me tomorrow: 'Are you coming back in?', I would go right back in." In the end, most people were satisfied with the process of the closure. They also indicated that they did not know whether the factory would have survived if it had stayed open, in whatever form. Most of the people found a new job, which would probably have been different if the factory had closed a couple of years later.

6.4.3 Case C

Determinants of influence

Management attitude

The director at Case C has a positive attitude towards the works council. He wants the council to think with him as a serious partner, and they are invited to be critical. In the end, you have to do it together. A works council member mentions that the director, as well as management at the corporate level in the Netherlands, acknowledges the importance of having a works council.

On the one hand, the respondents are all very positive about the director; he is perceived as honest, clear, reliable, and open to the employees. On the other hand, respondents do not perceive him as a fighter or charismatic leader, and indicate he is still too much in his former role of controller: "You have to invest, you have to move on, you have to dare [...] But a controller has to watch the pennies, and I sometimes wonder whether that matches."

Social Network

Cooperation between management and works council is good, based on mutual respect. Informal communication is very important. However, when decisions are made, they are always formally documented, so that the rules and procedures are followed correctly. The works council chair, as well as the director, mentions the importance of following the formal procedures. The works council often communicates with the employees in the organization, in a formal as well as informal way. Not all employees understand the role of the works council. Also, the good relationship with management is sometimes mistaken in terms of: "you always go along with management."

During the reorganization, the works council was informed about the plan of management quite late. The members indicate this has led to a longer process, which could have gone much faster, had they been involved earlier. This led to a discussion on whether the works council would declare that it did not trust management anymore. However, management and works council resolved this issue, after which they faced the reorganization together. The director indicates that indeed the management team could have involved the works council earlier. However, he states that you "almost automatically get the critique that you do not involve them early enough. Well, you can never totally resolve that."

The works council takes care of the communication with the employees on the workforce by informing them through bulletins and reports. They also regularly have canteen sessions, at which employees can ask questions. They are visible in the organization, and often try to be present on the workforce, so that people know how and where to find them. The employee respondent says that, although the members are visible, the works council is not really necessary outside a situation like a reorganization. Furthermore, the director notes that, even though the works council tries its best, and really improved its communication with the workforce, you can never do it right, which also holds for management's communication with the workforce.

The works council has a bridge function in the sense that it can pick up signals from the workforce. Sometimes it is easier to do this via works councilors, even though it can also be done via middle managers. To go directly to the director is often a step too big for employees. The bridge position is more important at this moment, because there is a relatively new management team that does not yet invest much in reaching out to people on the workforce. For the director, the bridge position is important, because the works council can explain management decisions at the workforce level, and can communicate wishes of the workforce to management.

Even though the works council respondents acknowledged that the works council can have a bridge position, they note that it is a "small bridge", because people do not understand everything, and a "high bridge, because it is difficult to bridge the gap between employees and management as a works council."

Influence tactics

One of the respondents indicates that the works council is not actively discussing strategies, except in the case of important measures, such as reorganizations. Usually, the strategy is to be proactive in coming up with ideas, and being critical but constructive. The director also recognizes the ability of the works council to come up with their own ideas and initiatives. He is also open to this: "I have to reduce high costs. And I do not care about how to achieve that; I think we should do it like this, but you tell me if it can be done differently."

During the reorganization, the works council had an investigative role; was the reorganization really necessary? In the beginning, the works council did not get enough information, according to the members. At one of the meetings, no information was given; only questions were asked. The response of the works council was to take a similar stance in the next meeting; take distance, give no information. Later on in the process, the works council was able to reduce layoffs by persisting in asking questions, and pressing for better explanations and arguments. In the end, management agreed to lay off less employees. The director indicates that it was "reasoned by the works council in the interest of the organization." Next to these tactics, the works council also went to top management in the Netherlands to discuss the problems at their plant. This happened, for example, informally through the central works council's chair, pointing out problems at the local management level.

Operating in an MNE

Case C recently changed owner, giving Case C less autonomy than before. Being part of an MNE is a threat to the rights of the works council, according to one of the works council members. He also mentions that the policies and decisions made at top management level are not always easy to grasp for the works council at the local level. From management's perspective, the Dutch works council system is frustrating for top management, because the process takes too long. One of the advantages of operating in an MNE is the intercompany work that can be done; if Case C would not

get assignments from the other plants, they would have a much higher decrease in production volume.

One of the works council respondents states that the reorganization was clearly instructed by top management, and management at the local level just tried to figure out how to best approach it. The director, however, indicates that they were not instructed by top management; there was, of course, consultation with top management, but if local management would not have seen that something needed to happen, that would be bad.

Internal relations

The works council has strong internal relations, and consists of a good, well-motivated team. The members discuss issues until they reach consensus, and always take care to speak with a common voice. Sometimes a discussion arises during the meeting with management. In that case, the chairman always immediately intervenes, and postpones the point for future discussion. There are several individuals in the works council who have a large influence. These are mostly the members with high tenure and experience at the level of the central and European works council. Another factor that affects the influence of individuals is their education level; the higher educated members are more able to think in abstract terms, and are also asked for advice more often. The works council does not experience problems with the influence of individuals; all members dare to speak up and give their opinion. The (relatively new) chairman indicates that sometimes the influence of the older members is a bit out of balance, and that he always tries to give the floor to the other council members as well. However, the experience of the tenured members is highly valued.

Goal perception

The goal of the works council is presented mostly in terms of the dual task of the works council, weighing the interests of all parties, and taking into account the continuity of the organization. Furthermore, the works council has a goal of assessing the policies management proposes, as well as assessing the needs of employees. The employee respondent also stated that a role for the works council is to "protect the personnel, if necessary."

The works council at Case C is aware of the dual task it has; the director states that it takes up this role very maturely. The director indicates that he already has difficulties with this dual task, and that for works councilors difficult decisions often concern their direct colleagues: "That they still handle that so wisely and constructively, and come to a decision that

is the best for the organization as a whole, while it is not a good decision at all for the individual employee, well, if you can do that, I think that is admirable, and also brave."

Reorganization procedure

Management chose to inform the works council relatively late in the process, so as to keep the development of the reorganization plan within a small group. This led to disappointment in the works council, and in their opinion delayed the process because they had to start all over again. The decision of management was perceived by the works council chair as a top-down decision, to which the works council could react, but it could not come up with its own initiatives or its own ideas on how this reorganization would best be implemented.

After informing the works council, management was very willing to provide the works council with information, and took the time to explain the plans of management several times. After the request for advice, a meeting was planned, because both parties did not want to end up in sending official documents back and forth. In the end, the advice was the product of joint meetings with management and the works council. The advice was positive, proposing 25 layoffs instead of the 48 planned layoffs.

The role of works councils in (re)organizations

Productivity

By being involved, listening to employees, and gaining their trust, the works council can enhance productivity. They can take away organizational unrest by keeping employees informed and by showing employees that they critically approach management decisions. However, the director perceives that direct influence mostly takes place through the formal functional role as an employee instead of their works council role. The employee respondent agrees, and states that this is mostly the role of middle management, not the works council. The general work atmosphere is also mentioned as an important factor in organizational productivity.

Labor turnover

Regarding labor turnover, as stated above, Case C also experiences low turnover. The works council discusses topics such as how to enlarge the share of young people entering the organization, for example, by keeping an eye on schools. They do not have the idea that they can play a direct role

in influencing turnover, but they can provide a critical view. This critical view, for example, concerns hires of temporary agency workers into the organization. The works council does not necessarily oppose these, but if others have to leave and are replaced by temporary workers, this will be discussed. The employee respondent argues that the works council can be short-sighted on this, because temporary agency workers are necessary to deal with, for example, seasonal fluctuations.

In the reorganization, the works council had a clear effect on labor turnover, in the sense that they reduced the number of planned layoffs from 48 to 25, showing that some jobs could not be canceled. Even though the process did not run smoothly right from the start, the respondents agree that the works council achieved something. Next to their advice, the works council members took the effort to have personal meetings with employees who were very uncertain about their future. Furthermore, they negotiated, together with management, that another plant of the MNE in the Netherlands would keep their current vacancies open for a prolonged period of time, and give priority to Case C workers.

Employee benefits

The social plan was very beneficial for the employees. The union helped in negotiating the social plan, but their role was not satisfactory, as perceived by several of the respondents. The union delayed the decision-making process, and did not want to sign for the economic necessity of the reorganization, even though the works council had already agreed. The union thus clearly showed interests different from those of the organization. The social plan was valid for a year, and included a correction factor of 1.0, thus a neutral factor. However, the works council respondents indicate that they internally agreed on a factor of 1.3. Because the other plants are also facing reorganizations in the near future, and top management did not want to negotiate a 1.3 factor in all organizations, the formal document stated otherwise.

The necessity for the reorganization was clear to the works council. For the employees, however, the necessity was less clear. They perceived this reorganization mostly as a quality reorganization, in which only the lower educated employees had to leave. The works council agrees on this point, and also states that the initial plan was not well thought through. In the end, the works council is satisfied with what it achieved, and was confident in being able to explain to the employees why these choices had been made.

6.4.4 Towards a behavioral model of works council influence

In this section, we compare the three cases on the aspects of interest presented above. In some cases, there is no information on all aspects, for example because the focus was on the reorganization instead of general or current relations. This, for example, applies to Case B, that could obviously not inform us about current relations. In comparing the cases, we first focus on the outcomes, and afterwards try to find a relationship with the determinants that might have led to these outcomes.

Outcomes

Productivity

All three cases agree that works councils can have influence on productivity, although they differ with respect to the way in which works councils do so. Case A mentions the importance of shaping the right conditions to motivate employees, Case B, the translation of policies towards the workforce, and discussing productivity improvements. In Case C, being involved and listening to employees, as well as taking a critical stance towards management, are mentioned as important factors. In Case B and Case C, the respondents' opinions on works councils' possible influence on productivity are mixed, and not predominantly positive. In Case B, some of the respondents argue that productivity is mainly an issue for management to deal with. Also in Case C, (middle) management is named as the party to deal with productivity issues. Works council members are perceived to have influence, but more through their functional role as an employee, than through their works council role. The differences between the cases are schematically presented in Table 6.2.

Labor turnover

Regarding labor turnover, it was mentioned that in all three organizations labor turnover is low. The respondents are most positive about works council effects in Case A, by means of regulations, and offering better conditions than other organizations, so that people want to stay with the organization. In Case B, motivation and atmosphere are named as important factors, but the works council is not perceived as being able to exert influence on labor turnover issues. In Case C, the works council can mostly provide a critical view, but the respondents do not see a direct effect of the works council on labor turnover. All cases agree that voluntary quits should not be opposed.

In the reorganization, the works council of Case A did not influence the number of layoffs. This also holds for Case B, in which all employees were laid off due to the closure of the factory. In Case C, the works council was successful in reducing the number of necessary layoffs.

Table 6.2: (Re)organizational outcomes

		Case A	Case B	Case C
Productivity	General*	+	+/-	+/-
Labor turnover	General	+	+/-	+/-
	Reorganization	-	-	+
Employee benefits	Benefits	1.0	1.4	1.3
	Opinion	+/-	+	+/-

*General refers to situations outside the reorganization

Employee benefits

In terms of employee benefits, Case A received the lowest correction factor in the social plan, namely a correction factor of 1.0, which can be regarded as neutral. Case B received the highest factor, and Case C, slightly lower, 1.4 and 1.3, respectively. The social plan of Case A had the longest validity, covering laid off people up until two years after the reorganization started.

Looking back, opinions about the reorganization are mixed in Case A; some works council members are very negative, while others say it was necessary and good for the organization. The former director argues it had to be done, while the current director states that it might have been better if it would have been implemented differently. In Case B, the respondents are overall relatively positive. Looking back, some respondents question whether the factory would have survived at all in the economic crisis that followed quickly after the closure. Next to that, almost all employees found a new job, and the social plan was very beneficial for the employees. In Case C, the works council members and director agree that they can live with the outcome of this reorganization. However, the employees still need to be convinced of the necessity and approach of the reorganization.

If we rank the organization in terms of outcomes, we can see that the respondents in Case A expect the most positive role for the works council in terms of turnover and productivity. They tried to achieve these positive effects mostly via formal ways, such as making sure that regulations

were in place. In terms of reorganization outcomes, however, they score lower than the other two cases, both in terms of employee benefits and partly in terms of labor turnover outcomes. Case C scores best, because the employee benefits in terms of the social plan are relatively high, and a number of layoffs were prevented. Case B scores well in terms of employee benefits; people are relatively happy with how they were treated, and they received a beneficial social plan.

Determinants

Below, we compare the determinants of works council influence in the three cases. We describe the support we find for determinants described in the theory section. Furthermore, we formulate hypotheses regarding determinants that we identified through our cross-case analyses. Thus, only new findings lead to hypotheses below. Figure 6.2 shows the behavioral model, including the novel relationships, to be tested in future research.

Management attitude

In Case A, the management attitude was not positive towards the works council. With the new director, it has become more positive, but still not strictly positive, because the director perceives the rights of the works council as being too large, and dangerous. In Case B, both the director and HR manager speak positively about the works council, but in terms of influence they do not expect much of the works council abilities. In Case C, the director is positive, and perceives the works council as a mature discussion partner. As described in the theory section, management attitude does indeed seem to be an important condition for the works council to influence organizational decision-making. The differences are presented in Table 6.3.

Social network

In terms of the social network of works councils, we look at the communication with management, workfloor, and the bridge position the works council fulfills. In terms of the relationship, Case A did not have a cooperative relation with the director during the reorganization. This has improved with the change of director, because the new director consciously changed the approach towards the works council. In Case B, the relationship between management and works council was formal, and there was little trust. In the reorganization, the works council and management did

Table 6.3: Works council influence determinants

		Case A	Case B	Case C
Management attitude	General*	+/-	+/-	+
	Reorganization	-	+/-	+
Social network				
<i>Communication management</i>				
	General	+	+/-	+
	Reorganization	-	-	+/-
<i>Communication workflow</i>				
	General	-	+	+
	Reorganization	-	+	+
<i>Bridge position</i>				
	General	+	+/-	+/-
Influence tactics	General	proactive informal timely involvement	rational	proactive rational
	Reorganization	threatening formal procedure	coalition delay upward appeal	pressure distance upward appeal
Influence MNE	General	low		medium
	Reorganization	low	high	medium
Internal relations	General	-		+
	Reorganization	-	+/-	+
Perception dual task	General	employees	both	both
	Reorganization	employees	employees	both
Reorganization procedure	Formality	formal	formal	informal
	Advice	negative	negative	positive

*General refers to situations outside the reorganization

not cooperate anymore, because that was impossible according to the respondents. In Case C, the relationship between management and works council is good, although during the reorganization they had a small setback. Informal communication is important, although formal procedures are followed. In both Cases A and C, where good relations with the (current) management are described, there is a tendency for employees to perceive this as "choosing management's side."

These results indicate that the relationship between management and works council is important for the works council to achieve its goals. From earlier research, we already know that management attitude is important. This positive attitude is often assumed to automatically lead to a positive relationship between management and works council. This, however, does not have to be the case. The example of Case A shows that the new director does not hold an explicit positive attitude towards the works council, but rather is very aware of the importance of a good relationship with them, and therefore communicates in a certain way with the works council. Next to the importance of management attitude, the importance of management communication with the works council might need more emphasis, and the separation of both concepts deserves more elaboration.

Hypothesis 1a. *A good relationship between management and works council can lead to higher influence of works councils.*

At the same time, the communication paradox, as sketched by Kotthoff (1994), arises here, as identified in Case A as well as Case C: if relations between works council and management are very good, the workforce might perceive this as choosing management's side. We have argued this effect to arise as well in Chapter 2. This paradox could work in a counterproductive way; employees might become more reluctant to work in the interests of the organization as a whole, because they do not feel represented by the works council. It is therefore important for the works council to find the right balance in the relationship with management, and clearly justify the choices made.

Hypothesis 1b. *A too good relationship between management and works council can lead to lower influence of works councils.*

Another important network partner is formed by the employees at the workflow, who are represented by the works council. In Case A, communication with the workforce is relatively weak. Although the works council has the intention to improve upon this, it hardly ever happens. In Case B, the works council does a better job, and during the reorganization is praised because of its effort to inform the workforce. This also

holds for Case C, in which the works council tries to inform the workforce on a regular basis, and the respondents mention that the works council is accessible.

The influence of support of the workforce for works councils has received little attention so far in academic research. We argue, however, that it is an important determinant of works council success. Compare Case A in which the works council was not able to achieve results during the reorganization, and the employee respondent mentioned not being informed at all, and Case B, in which the employee opinion was taken very seriously by holding a referendum to hear the employee opinion. Having a clear view on what the rank-and-file expects might lead to a clearer view on how to perform the works council role, and also the expressing of rank-and-file support towards management may lead to more influence.

Hypothesis 1c. *Communicating regularly, via different ways, with employees on the workforce, leads to higher influence of works councils.*

In terms of a bridge position, all cases are predominantly positive about what a works council can do. In Case A, a bridge position is taken by the works council by signaling problems that management does not pick up, and confirming and transferring information. In Case B, not every respondent is convinced about the bridge position, because the works council members are not able to really take a position in between, without shifting the balance towards employees. A signaling function and a lower hurdle than going to management directly are also named here as possibilities for works councils to fulfill a bridge position. In Case C, signaling and providing an alternative to directly going to management are mentioned, too. The bridge position, according to some respondents, is difficult to fulfill here, because employees do not understand everything, and because the gap between management and employees is not easy to bridge.

These results point to a different direction than argued in the theory section. The bridge position does not necessarily seem beneficial here to the person (or in this case: works council) in the bridge position, but to the ones at both ends of the bridge. This might be because the works councils in our cases did not feel the necessity to withhold information from one of the parties. They were also willing to take up an information role, in which they were expected to share information, and take up a bridge position that benefits others, not themselves, thus acting as an intermediary. The willingness to share information could lead to higher influence, but through a good relationship, not necessarily through exercising control over information. The expectation that a bridge position is beneficial

for works councils, is thus supported, but via a different mechanism than is often assumed for personal performance.

Hypothesis 1d. *The willingness to share information through a bridge position leads to higher influence of works councils*

Influence tactics

Regarding influence tactics, clear differences are visible between cases, but more interestingly, between situations; in times of reorganization, all works councils take on a more defensive role than when they experience less pressure. Case A mentions communicating informally, being involved in a timely fashion, and behaving proactively as tactics to gain more influence. Case B also tries to do this by rational arguments. Case C also names proactive behavior, and rational arguments.

In Chapter 5 we found that rationality, coalition, ingratiation, and exchange were important tactics into exerting influence on management, and ingratiation and upward appeal were important in influencing colleagues. Rationality indeed turns out to be an important way to gain more influence on decision-making. Furthermore, communicating informally, being involved in a timely way, and behave proactively, cannot be easily categorized in one of the influence tactics that we tested in Chapter 5. This indicates that, for works councils, next to rationality, other influence tactics might play a role in gaining personal influence.

Hypothesis 2a. *Rationality, proactive behavior, informal communication, and early involvement lead to higher works council influence.*

In Case B, the coalition tactic is important. However, not in the sense of forming coalitions on the workforce, but rather by forming coalitions within the works council and trying to convince others to join the strongest coalition. The latter is not perceived as beneficial to obtain influence in decision-making, as is argued below, when we discuss internal works council relations.

In both Cases B and C, the works councils approached top management during the reorganization. Case B went to headquarters to present the alternatives for the plant closure that emerged from the external advice they requested. Case C discussed with top management in the Netherlands, to not only ask for permission to seek external advice, but also to discuss concerns about the reorganization (for example through the central works council representative). Also, Looise and Drucker (2002) have

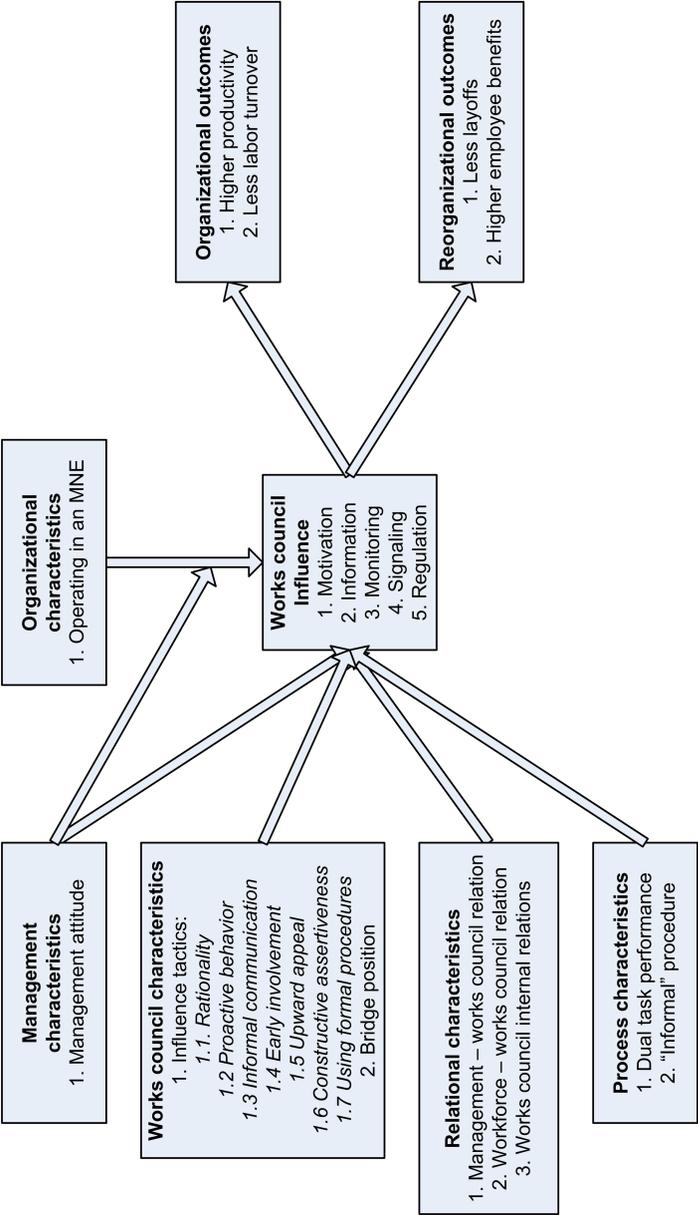


Figure 6.2: Integrative behavioral model of works council effectiveness

identified this as a way to fight back from the difficult position a works council is in, when operating in an MNE.

As described in theory, operating in an MNE can have consequences for codetermination, because rules that apply in a foreign country might surpass those regarding the rights of Dutch works councils. Looise and Drucker (2002) argue that there are several ways to fight back in case of a decrease of national rights, such as looking for support higher up (top management), forming a coalition with management, and networking by, for example, maintaining relations with national management. In Case B, the first way was chosen; the works council, accompanied by their external advisor, went to headquarters to discuss with top management, the possibilities of continuing the factory. This, however, did not lead to top management changing their plans. In Case C, the last two options were chosen. The works council went to discuss possibilities with national management. These actions can be regarded as influence tactics that are related to upward appeal, as we described above i.e., searching for support from higher-ups. Furthermore, although not as explicitly as mentioned by Looise and Drucker (2002), management and works council joined forces to save as many jobs as possible.

Hypothesis 2b. *Using upward appeal leads to higher works council influence.*

During the reorganization, Case A used threatening, and following legal procedures in detail as influence tactics. Case B tried to gain influence by forming coalitions within the works council, and delaying decision-making. In Case C, exerting pressure by persisting to ask questions, and taking distance as a reply to management behavior, were the used tactics. As Bennebroek-Gravenhorst and Boonstra (1998) argue, works councils use assertiveness as an important influence tactic in times of change. In Case A, this assertiveness can be seen in following the legal procedures in detail. In Case C, assertiveness was present by exerting pressure. However, the pressure exerted in case C can be argued to have been on a rational basis, performing an investigative role. We can thus distinguish between constructive and non-constructive assertiveness tactics, and argue that constructive assertiveness tactics can lead to higher influence.

Hypothesis 2c. *Constructive assertiveness leads to higher works council influence.*

Following legal procedures literally, as in the situation of Case A, might be associated with higher works council influence as well. Where informal ways do not have the desired effect, or are hard to establish, more formal tactics might be used to make sure all regulations are in place. In

Case A, the influence on labor turnover and productivity was mainly perceived to be affected by means of regulations, and by having all labor conditions in place.

Hypothesis 2d. *Using formal procedures as a tactic leads to higher works council influence.*

Operating in an MNE

Regarding operating in an MNE, Case A was the least dependent on top management, and made the choice for the reorganization independently. In Case B, the influence of management at the corporate level was high; they made the closure decision, and gave it as an assignment to local management. In Case C, the reorganization was not assigned directly by top management, but they played a large role.

In Case A, the works council opposed local management much more explicitly than in the other two cases. Although in Case B, the director was seen as defending the interests of top management, the employees stayed loyal to the local organization, and kept producing until the last day. The decision was really perceived to come from higher-up. In Case A, however, this was not the case, because the decision had been made by the local management, and local management thus needed to be opposed.

These results make clear that operating in an MNE can very much affect the internal relations in organizations, and the influence works councils may have in organizations. This confirms the findings of Looise and Drucker (2002), who described the threat of operating in an MNE to works council effectiveness. However, in these cases we do not see that the case which has the largest autonomy also has the strongest works council. Local management in Case A makes the decisions, but the works council does not seem to influence them. In Case B, there was hardly any autonomy, and the works council did not have an influence. In Case C, there was autonomy, and the works council influenced the decision of local management. These results suggest that another different factor influences the impact of operating in an MNE. We expect that management attitude moderates the relation between operating in an MNE and works council influence: if the attitude of management is negative towards works councils, works councils will receive fewer options for participation, even if there is high autonomy for local management. The opposite also holds; if the attitude of management is positive, regardless of the low autonomy of local management, the works council will receive options for participation, leading to higher influence.

Hypothesis 3. *A positive management attitude moderates the effect of a strong mother company (MNE) on works council influence.*

Internal relations

In Case A, the internal relations in the works council were not good. The council depended very much on only a few individuals, while the other individuals did not put much effort into the works council tasks, but, according to other respondents, also did not get a chance to have a say during the meetings. In Case B, the relations were relatively better, although the works council did not agree on which way to go after the announcement of the closure of the factory. One part wanted to fight, while the other part decided this fight could not be won. Even though they did not fully agree, they tried to communicate to the workforce with a common voice. However, some members went individually to the HR manager to express their stance on the subject. In Case C, the internal relations were good, and the works council generally succeeded in speaking with a common voice. The importance of doing so has also been sketched by Van der Brempt et al. (2012).

Hypothesis 4. *Better internal relations lead to higher influence of works councils.*

Goal perception

The works council in Case A had difficulties with performing the dual task well; the members paid too much attention to individual interests as well. By some, this was perceived as a positive point; however, the former manager pointed out that it often led to promises the works council could not keep, leading to less trust in the works council. In Case B, the dual task was performed better than in Case A. However, both the director and HR manager stated that it is hard for the works council to do so, because their main interest is to retain jobs, and emotion plays a too large role in their functioning. In the closure process, they supported the interests of the employees; cooperation with management ended, and they declared distrust in management. In Case C, the dual task was performed well. The members were aware of their dual task, and the director stated that they execute their role in a mature way. Also, during the reorganization, the advice was reasoned in the interest of the employees as well as the organization as a whole.

Hypothesis 5. *A well-performed dual task leads to more influence for the works council.*

Reorganization procedure

The reorganization procedure was formal in Case A. There was an extensive exchange of formal documents. The first advice of the works council was negative, but after having received a reaction from management, with agreements on the conditions that the works council asked for, they turned it into a positive advice. Because the director expected a negative advice, he decided to stick to the procedures as closely as possible, so as to not be judged badly. In Case B, the procedures were also formal, but could be regarded more as a formality, because the decision had already been made. In Case C, the procedure was quite informal, however, the works council was not immediately involved in the process. After being involved, the communication was informal, and the advice of the works council was based on mutual agreements between management and works council.

Hypothesis 6. *An informal reorganization procedure leads to more influence for the works council.*

These hypotheses, added to the model proposed in Figure 6.1, lead to the model presented in Figure 6.2. Five ways of exerting influence are presented in the middle box. As described by Freeman and Lazear (1995), works councils can have an effect on organizational outcomes by using their legal rights. In that way they can motivate people, inform them, monitor management, and signal problems on the workforce. These processes have all been revealed here as ways in which works councils can have influence on organizational outcomes, such as labor turnover and productivity. Depending on the determinants at the left-hand side of the figure, one or more of these processes might prevail.

However, works council influence does not only run through communicating with employees and management, as our results suggest. In Case A, positive effects of works councils on labor turnover and productivity were described, obtained mostly through making sure all regulations were in place. The tactics that were used in Case A were also much more formal, and based on following the legal procedures, sometimes literally. These results indicate that influence can be obtained through following several roads, not just one. If the informal road, with much communication, motivating employees and the signaling of problems, does not work; a more formal approach, with pressure via the following of formal procedures, and making sure regulations are in place, might reveal similar outcomes. The way in which these outcomes are obtained may be less pleasant in terms of relationships, but may be very similar in terms of outcomes. The question is which bundle of determinants leads to influential works councils. To study this question, we need to look into *bundle effects* (see, e.g.,

Ramdani et al., 2012). This can be done by making use of Qualitative Comparative Analysis (QCA) (e.g., Hancké, 2009).

6.5 Discussion

The current chapter aimed to combine the research from the foregoing chapters and to then come up with an integrative behavioral model of works council influence, to be tested and developed further in future research. We tested our earlier findings, but also aimed at digging deeper and opening the *black box* further, more than had been done in Chapters 4 and 5. The questions of interest were how works council influence emerged and how works councils could influence (re)organizational outcomes.

The three selected cases, all having been through a reorganization, and all being part of an MNE, have led to an extensive analysis, leading to support for our earlier findings, and to new insights, which have been summarized in the model presented in Figure 6.2. Next to management and works council characteristics, we have added relation and process characteristics as independent variables. Furthermore, we have added the organizational characteristic of operating in an MNE as an important variable that is gaining importance in modern times, as was argued before by, amongst others, Looise and Drucker (2002).

An interesting finding is that, although management attitude is very important, the relationship between works council and management seems to play a large role in determining the amount of influence the works council has. If the attitude of the manager towards works councils (in general) is positive, but the relationship between works council and management is characterized by conflict, management may be less likely to let the works council participate in decision-making. It would be useful to make a clear distinction between the relationship with the works council and the attitude of management towards the works council, to see which factor most influences works council participation.

Regarding social network position, our results pointed out that works councils do not seem to strategically use the bridge position that they seem to fulfill. They do not perceive this structural position as an advantage that gives them influence. Rather, both ends of the bridge benefit from the bridge position of the works council, if the works council is willing to play this role.

The results clearly point into the direction of a change of role for the works council in times of reorganization, as has been argued for, e.g., in Chapter 3; they are more likely to take into account employee interests,

although not in all cases. Their relation with management is becoming more difficult, and their tactics are becoming more defensive. Interestingly, the influence tactics that have been identified before by earlier research might not be so relevant for works council members. We found support for rationality being an important influence tactic. However, more specific works council tactics were also identified, such as proactive behavior and early involvement. Upward appeal was found to be of importance in Chapter 5. This was supported in the sense that upward appeal from higher management was sought, which was also indicated as a tactic for works councils before by Looise and Drucker (2002). Last, assertiveness also seemed an important tactic. This tactic was indicated as important before, by Bennebroek-Gravenhorst and Boonstra (1998). However, in our current study, we argue that only a form of *constructive* assertiveness works, not assertiveness in the form of threatening with law suits, but rather in being persistent in asking questions, and in monitoring management's decisions. Future research should pay more attention to the influence tactics that are most important for works council performance.

Next to the above mentioned findings that (slightly) differ from our earlier findings, we identified new determinants that might be of influence to works council effectiveness, and on which we have formulated hypotheses in the former section. First, the relations of the works council to the workforce might be of importance. If the works council can show that they have support from a large share of the employees, this is likely to lead to higher influence. Furthermore, internal relations in the works council are also important, mainly in outside communication. Is the works council perceived as a group, with a common opinion? The last determinants can be found in the reorganizational processes. An informal procedure, in which the works council informally communicates with management, without unnecessarily sending documents back and forth, and without delaying decision-making can lead to positive outcomes. Furthermore, a well-performed dual task is argued to lead to more influence.

Of course, the determinants and outcomes can also be connected in different ways. For example, the possibility of following an informal reorganization procedure might only be feasible if both works council and management have a positive attitude towards each other. In future research our behavioral model can be developed further, and the hypotheses can be tested.

Limitations of this study are mainly related to the case selection. The fact that these organizations requested advice from professor Van Witeloostuijn and, in one case, myself, might have influenced the results with respect to the openness of the respondents, or possible social desirability in the answers. However, because the cases have all been selected on the

same criterion, the differences between them should still become clear. The interviews revealed that in most cases management was skeptical towards the request for an external advisor, but also towards the advice given by the advisor, and how the works council treated it. The works councilors were mainly satisfied with the advice, and praised the research done by the external advisors. It would be interesting to compare organizations with and without external advisors in reorganizations, to see whether the influence of the works council on the outcomes of the reorganization is affected by the external advice/advisor. Future research should take this factor on board in studying works council's role in reorganizations.

Furthermore, these cases were specific also in the sense that they all concerned organizations that have a history of reorganization, and they operate in an MNE. We can therefore not generalize to organizations that did not go through reorganizations (recently), and are operating only domestically. As we have hypothesized above, we expect that operating in an MNE does have an effect on works council influence; the larger the dependence on a mother company, the less influence a works council is expected to have. The history of reorganization might have shaped the works council in a positive way, strengthening the council in its role. Future research should pay attention to the history of works councils, in order to take into account the experience of the council.

Another interesting topic for future research might be to look deeper into the negotiating process of works councils and management. In Case C, 23 planned job cuts were canceled. However, one could also argue that management had already decided beforehand that they could "give away" up until 25 jobs, so that they ended up with their desired result, while at the same time giving works councils the feeling that they have had influence on the outcomes of the reorganization. Whether this is a good or bad thing, is an interesting question in itself.

These cases have strengthened our findings that works councils can have positive effects in organizations, and have given us more insights into the way in which they do so.

Chapter 7

Conclusion

7.1 Discussion of the results

In this thesis, we aimed to gain more insights into works council effectiveness. We did so in two ways: on the one hand, gaining more insights into the influence of works council presence on organizational outcomes (Chapters 2 and 3); and, on the other hand, by looking into determinants of works council effectiveness (Chapters 4 and 5).

In Chapter 2, we asked the question whether works councils could contribute to productivity, and whether they could also do this in times of reorganization. Most research has found positive effects of works council presence on productivity. Taking into account the context of reorganizations has offered us the opportunity to have a more nuanced look into works council influence. We argued that works councils could have an effect in diminishing the negative effects of reorganizations, and motivate employees to not reduce productivity.

We found that works council presence has a direct positive effect on productivity, as productivity increases with the presence of a works council. Reorganizations were positive for organizational productivity as well; reorganization with and without layoffs showed positive results. Reorganizations with layoffs were positive in the first year, reorganizations without layoffs in the second year. There were only interaction effects found in the smaller organizations, those employing below 50 employees. These findings suggest that works councils have a positive effect in reorganizations without layoffs. In these reorganizations, works councils are believed to play a role in creating acceptance, and communicating the need for reorganization to the employees. Making the need for reorganizations clear, and creating acceptance, can lead to a better understanding among employees.

In reorganizations with layoffs, we see that works council presence is negatively related to productivity in small organizations. Layoffs may signal to employees that the works council did not do its best to prevent bad consequences for the employees, and that it is siding with management. The fact that works councils are often asked to keep secrecy in these cases, does not help in a situation where communication is very important, and works councils can fulfill an important role. As we have argued in the preceding chapters, works councils can take up different roles in different situations, influenced by the dual task that they are expected to engage in. The perception that the works council operates more in the interest of management than employees, might be counterproductive, because employees do not feel represented, and productivity decreases as a result.

In Chapter 3, we also found support for this balancing of the dual task. We aimed to answer the question whether works council presence affected labor turnover, in good and bad economic times. We performed analyses on voluntary quits, involuntary quits, and hires. Our results showed that in good times, works council presence does not affect voluntary quits, but in bad times, works council presence contributes to less voluntary quits. This was also found in studies concerning Germany (e.g., Backes-Gellner et al., 1997; Doellgast, 2008).

Regarding involuntary quits, we revealed diverging effects in different economic times. In good times, we found that works council presence was associated with more layoffs. In bad times, less layoffs were reported when a works council was present. We ascribed these effects to the dual task of works councils, representing the organization as a whole, as well as employee interests. We argue that in good economic times, layoffs are not necessarily opposed by the works council, because it is easier for employees to find a job elsewhere. Works councils might thus place the organizational interests above employee interests in good economic times. However, the negative effects on voluntary and involuntary quits in bad economic times also suggest that the balance is shifted from organizational towards employee interests in harder economic times.

These suggestions are also supported by our findings regarding hires. Research on German works councils revealed negative effects of works council presence on hires (Addison et al., 2001; Dilger, 2002). This effect was ascribed to a tendency to protect insider interests by the works council, preventing outsiders from entering the organization. However, we find positive effects on hires in good economic times, and no effects in bad economic times. In good times, where works councils might have a tendency to support the continuity of the organization, and thereby the broader organizational interest, they might welcome organizational growth, and therefore support attracting new personnel.

The first two chapters used data at the establishment level to disentangle works council effects. However, the only variable present to give us more insight into works council effects was a dummy variable concerning works council presence. We can therefore not be sure whether the suggested processes regarding balancing of the dual task are really at the root of the effects found, and which other factors determine whether works councils exert influence in organizations or not. Therefore, we focused on determinants on influence in the second part of this thesis, examining management decision-making facing works council advice, and the determinants that affect works council member's influence.

Chapter 4 used an experimental design to gain more insights into the fundamental processes underlying works council advice. The question of interest was whether works council advice was followed by managers, and what determines whether managers follow the advice or not. We conducted a lab experiment, placing undergraduate students in the roles of works councilor and manager. Managers had to choose a price, and could choose between a high and low price. Some of the managers received an advice from a works council, advising high or low. Choosing a low price, indicated playing Nash. If the works council advised to choose a low price, managers would often follow it. We hypothesized that if works councils suggested a high price, management would also be more likely to follow this advice than when no advice was given by a works council, because moral considerations come into play. However, we did not find this effect. We argue that this might be the case, because choosing a high price could involve negative consequences for management.

This is in line with the conflict of interest that exists between management and works councils; if the goals are more aligned, cooperation is more likely to occur. As soon as the goals are less aligned, both parties might choose what is in their own interest. We have suggested this above, as a conclusion from our first two chapters, argued from the works council's side; once employees need more protection, the interests of the employees might be less aligned with the organizational interests, and therefore works councils may act less in the interest of the organization. In Chapter 4's lab study, we see that this also works the other way around; if managers face competition, they may not take into account the advice of the works council if this is not aligned with their own interests.

Furthermore, we tested for an interaction effect, to see whether managers with an other-regarding orientation were more cooperative than managers who were less other-regarding. We found that this was indeed the case; prosocial managers tended to follow the advice of works councils more often. They even chose a high price when the works council advised them to play a low price. These results support the often studied

relation between management attitude and works council effectiveness; a favorable attitude towards the works council often leads to more effective works councils. Our finding can be interpreted in a similar way: a manager with a prosocial attitude is more inclined to listen to the works council and take their advice into account, in that way being open to input of the works council.

After having examined management behavior after works council advice, we took a closer look at the works council side. In Chapter 5, we argued that it is important to gain more insights into the individual works council members to learn more about the performance of the works council as a whole. We therefore looked into the structural and behavioral factors that might determine works council influence. We used a case study of a small non-profit organization to see whether they were more influential than other organizational members. The second question of interest was whether the influence of works councils was determined by the social network position of works councilors, and the influence tactics they used.

We found that network position did not show any positive effects for the works council members; closeness centrality even had a negative effect on works council influence. Influence tactics were more important, and mostly so regarding influence towards management. However, the tactics mostly had a hampering effect on the negative effect of works council membership. Works council members who used influence tactics were thus more influential than those that do not. In this particular organization, the findings suggested that the works council members were not more influential than the other organizational members. This might be due to organizational characteristics: the organization was characterized by a "family" culture; and because of its small size the paths to management were short. A works council might have been perceived to be less of a necessity in this organization. Also, earlier research has pointed to diverging effects for small organizations, which was again confirmed by our findings in Chapter 2.

The findings from the four chapters examining determinants and outcomes of works council effectiveness contributed to a clearer picture of the functioning and effectiveness of Dutch works councils. However, to come to a more integrative model of works council effectiveness, combining determinants and outcomes, we conducted a series of three case studies to answer questions as to how works council influence emerges and how works councils influence (re)organizational outcomes.

In the last chapter (Chapter 6) we conducted case study research, in which we compared three organizations that went through reorganizations, and were part of an MNE. In every organization, we interviewed respondents from management, works councils and the workforce. The in-

interviewees provided information on the process of the reorganization, and the role of the works council during the reorganization. The case study had a hybrid character, in the sense that we aimed to test our preceding findings (explanatory part), and to identify new determinants of works council influence (exploratory part), so as to come up with a behavioral model of works council effectiveness.

From this case study research we found support for some of our earlier findings, and we identified new important determinants of works council influence, about which hypotheses were formulated. In terms of attitude, management attitude was again identified as one of the crucial elements affecting works council influence. Further, in terms of works council characteristics, influence tactics are important, especially coming up with rational arguments, and behaving proactively. Furthermore, assertiveness can also be important, but rather in a constructive way, like being persistent, than in a destructive way, such as threatening lawsuits.

Regarding relations, the results indicated that relations with management, as well as relations with employees and internally, are important determinants of works council influence. Positive relations with outside parties, and also internally, are of importance for works councils to be effective. The fourth group of determinants we coined process characteristics, and they indicated that an informal reorganization procedure (regarding management and works council communication and documentation), was associated with higher works council influence. Also, a well understood and well performed dual task of the works council was related to higher works council influence.

Furthermore, the results indicated that it is indeed difficult for works councils to operate in MNEs, but the consequences of this can be moderated by management attitude: if the attitude of management is positive, even when local management has low autonomy, the works council can have a high influence in organizations. The behavioral model that was developed in Chapter 6 should be developed further and tested in future research.

7.2 Policy implications

Our results indicate that works councils can have positive effects on organizational outcomes, in good as well as bad economic times. Even though there are costs involved with works councils, managers should become more aware of the positive consequences works councils may have, which may well exceed the costs of installing and maintaining them, and allow works councils to play their role. A positive attitude of both parties might

lead to more cooperative relations, in which there is no need for delays, and decisions can be made outside the strict formal boundaries of the law.

The same goes for the works council; if works councils become more aware of the role they can play in organizations, and on how they can obtain influence, decision-making can be faster, and more satisfying to both management and employees. Works councils should invest in good internal relations, so that they can have constructive discussions, and in relationships that are balanced, ensuring the democratic character of the works council institution. Also, this leads to a stronger position towards management, in which they cannot easily interfere in seemingly weak spots in the discussion.

For both parties, it is important to be aware of the goals of the other party. If goals are aligned, it is easier to come to joint decisions, without the necessity of long meetings, or an extensive exchange of formal documents. However, in the case of diverging goals, the legal provisions might play a bigger role, and awareness of this can help in understanding the actions of the other party.

7.3 Research agenda

This thesis concludes that there is a role for works councils, and that management and works councils should become more aware of the roles they can play, in order to optimally make use of the works council. The current research has several limitations, which have been touched upon in the preceding chapters. These limitations, but also the findings, and in particular the hypotheses formulated at the end of Chapter 6, do suggest a research agenda to further our understanding of the functioning and effectiveness of works councils.

Our research has shown that even though their influence is threatened by internationalization, and new ways of participation in organizations emerge (Gumbrell-McCormick and Hyman, 2010), works councils are still important institutions within organizations. We would even argue that their importance is rising under these new circumstances. This was also pointed out by Addison (2009), who stated that works councils are still necessary, because legal prerequisites are needed to have good labor relations, so that modern organizations will continue to benefit from a serious hearing of employees, a way to directly access management, and protection of employees from arbitrary decisions.

This statement is related to the works council as a representative of employee interests. In the current thesis, we have shown that Dutch works councils have a strong dual task, and therefore take up a different role,

depending on the situation at hand. We argue that Dutch works councils balance their representation according to the situation. A comparison with other countries would therefore be interesting; to see whether works councils in different countries react differently under certain (economic) circumstances.

The focus of many research projects has been on the national context in which works councils operate. However, as Locke et al. (1995) argue, there is so much variation within countries that we can hardly speak of national models. Instead, we should move away from comparing national models, but look more at the micro level to explore what happens between actors. This claim was also expressed by Marsden (2012), who pictures the employment relationship as a social convention, within different contexts, but with similar dilemmas. Marsden tests this assumption using a British dataset, and intends to compare it to a French dataset.

In future research, it would be interesting to look into works councils in different countries, to see whether they indeed have similar ways of dealing with organizational issues. One way of doing this is by systematically studying differences across countries and organizations, instead of comparing different datasets that have not been designed for comparison. Hall and Purcell (2011) give an overview of information and consultation bodies within organizations in European countries. Countries such as Germany and the Netherlands are named as examples of mature systems. However, even though they are classified as having mature systems of codetermination, our study has shown that the internal processes and conflicts of interest can be complex.

Research comparing countries as to codetermination has been done before, but hardly in-depth. Studies such as those of Marsden (2012) make an effort to go deeper into employee participation, trying to reveal its consequences and determinants. However, these studies are mostly based on existing datasets, which do not allow for a systematic comparison between countries beyond a rather simple economic approach, basically having no more than a dummy variable indicating the absence or presence of a works council. Bryson and Frege (2010: 232) state: "In spite of the growth in comparative workplace data, articles that compare and contrast findings across countries remain relatively rare." They argue that comparative research can be valuable because the heterogeneity in the datasets regarding sectors and firms can be screened out, leaving a clear focus on the comparison of employment relations.

Chapter 3 already pointed in the direction of differences in labor turnover effects. We argued that these differences might be due to their different legal provisions. We argued that the Dutch dual task might be stronger in the Netherlands than in Germany, because the works council is installed

on different grounds. German works councils are installed after employee initiative, but Dutch works councils need to be installed after passing a certain size threshold. Therefore, we also assume that endogeneity is not a problem in Dutch works council analyses, because it is not likely that works councils install a works council because of reorganizations, a claim that was supported by our data. However, our analyses also show that in smaller organizations, works council effects differ from those in large organizations (Chapter 2). This might indicate that organizations with less than 50 employees might have installed a works council because of difficulties within the organization. An alternative explanation might be that they have decreased in size below the legal threshold because of bad economic circumstances, but the works council remained.

Next to the international comparison with, among others things, German works councils, our research has suggested some important directions to look into. First, the context of MNEs had already been identified by other researchers (e.g., Gumbrell-McCormick and Hyman, 2010; Looise and Drucker, 2002), but should be given increasing attention, due to its increasing importance. Our research again shows the importance for works councils of operating in an MNE. Gaining more insights in the role works councils *can* still play, could lead to important insights.

Furthermore, we have developed a first step towards a behavioral model of works council effectiveness in Chapter 6. This model should be tested and developed further in future research. First, we pointed out the importance of employee perception of the works council. This part has been neglected so far in works council research. However, we believe this is a vital part of works council performance, next to the interactions with management. Our findings indicate that if there is no communication with employees, the works council will not be influential in the organization.

Next to employee perceptions, it is important to study the internal relations of works councils. How do works councils operate as a team, and what is the influence of the characteristics of the individual members? In their case study regarding the Belgian context, Van der Brempt et al. (2012) have already referred to team composition as an important factor for works council cooperation with management. The composition of teams can be important, because team members can influence processes within a team because of their personal characteristics (gender, race, age, et cetera). Team composition is a major determinant of the team's behavior and performance (Boone et al., 2005). Furthermore, the differences within teams can lead to so-called factional faultlines (Van der Brempt et al., 2012). These faultlines are divisions along several team member attributes, such as demographic characteristics. A group with 50 per cent white males and 50 per cent black females shows a clear faultline along

gender and race. Depending on their strength, faultlines can have strong effects on team performance. Factional faultlines can have a negative effect on performance. Regarding works councils, this might imply that they do not reach consensus concerning organizational matters. On the positive side, the representation of different groups in the organization might be beneficial, because of a better reflection of the issues on the workforce.

Next to team composition, internal politics are important, as we have shown in Chapter 6. A large influence from one or two persons in the works council can put pressure on the performance of the council as a whole. Also, the forming of coalitions within the works council, be they union-related or related to specific topics, can be important determinants for works council effectiveness.

A last direction for future research follows from Chapter 6, which suggests to look more into bundle effects; which bundle of determinants leads to the highest influence of works councils? Some determinants may have a positive effect, only in combination with others. In this way we can find out whether determinants are complementarities or substitutes of each other. These bundle effects can be identified via qualitative comparative analysis (QCA) (see, e.g., Hancké, 2009).

Our thesis has opened part of the *black box* of works councils, but has also revealed that works council effectiveness is still a *black box* in many respects. In further research, we hope to unravel more of the complexities that can make or break works council effectiveness.

Appendix A

Appendix - Chapter 2

A.1 Probit analysis for Heckman analyses

Table A.1: Explaining Participation on turnover variable

	1999	2001
<i>Organizational characteristics</i>		
Size	-0.011 (0.014)	-0.022* (0.012)
Age	0.000 (0.002)	0.003 (0.002)
Part of larger organization	-0.159* (0.086)	-0.264*** (0.083)
Reorganization last two years	-0.173* (0.100)	-0.100 (0.092)
Outsourcing	0.234** (0.101)	0.052 (0.092)
<i>Industry</i>		
Construction	0.271** (0.136)	0.151 (0.133)
Commercial, catering, repair	0.113 (0.118)	-0.078 (0.110)
Transport	0.375** (0.164)	-0.213 (0.137)
Business services	0.066 (0.118)	0.172 (0.126)
<i>Work pressure</i>		
No change	-0.334 (0.215)	0.126 (0.154)
Increased	-0.261 (0.212)	0.032 (0.150)

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Table A.1 – *Continued*

	1999	2001
<i>Market characteristics</i>		
Seasonal fluctuations in production	0.085 (0.086)	0.186** (0.083)
<i>Changes in price</i>		
Increase	-0.062 (0.103)	-0.114 (0.109)
Decrease	-0.083 (0.175)	0.286 (0.296)
Fluctuations	0.189 (0.126)	0.252* (0.144)
Percentage turnover main activity	-0.005** (0.002)	-0.004* (0.002)
<i>Level of lowest wages</i>		
0-10% above minimum wage	-0.064 (0.152)	0.044 (0.171)
More than 10% above minimum wage	0.077 (0.135)	0.364** (0.161)
<i>Sensitivity to business cycle</i>		
Slightly	-0.078 (0.117)	0.185* (0.096)
Yes/Very much	-0.039 (0.119)	0.088 (0.108)
<i>Model controls</i>		
D_size	0.655 (0.884)	0.664 (0.655)
D_age	0.113 (0.300)	-0.247 (0.255)
Constant	1.259*** (0.352)	0.521 (0.329)
Observations	1121	1141
Model χ^2_{22}	38.49**	72.15***

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

A.2 Robustness checks explaining Productivity

Table A.2: Explaining Productivity 1999 and 2001 - Robustness check

	1999			2001		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Independent variables</i>						
Works council presence	0.587*** (0.219)	0.577*** (0.217)	0.624*** (0.225)	1.601*** (0.392)	1.602*** (0.384)	1.681*** (0.397)
Layoffs		0.408 (0.295)	0.720 (0.553)		-0.950 (1.911)	0.051 (0.672)
Without layoffs		0.001 (0.144)	0.062 (0.201)		0.234 (0.219)	0.190 (0.255)
Layoffs*WC			-0.454 (0.651)			-1.746 (3.069)
Without layoffs*WC			-0.099 (0.271)			-0.001 (0.457)
<i>Organizational characteristics</i>						
Non-compliance	-0.005 (0.259)	-0.006 (0.259)	-0.007 (0.262)	0.956** (0.405)	0.937** (0.417)	0.941** (0.418)
Compliance smaller than 50	-0.432 (0.337)	-0.452 (0.351)	-0.443 (0.348)	-1.587** (0.640)	-1.587** (0.645)	-1.634** (0.649)
Size	0.252*** (0.028)	0.253*** (0.028)	0.255*** (0.029)	-0.076 (0.141)	-0.074 (0.143)	-0.067 (0.144)
Size ²	-0.000*** (0.000)	-0.000*** (0.000)	-0.000*** (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
<i>Technology</i>						
Not new/Not old	-0.163 (0.299)	-0.189 (0.298)	-0.188 (0.297)	-0.882* (0.506)	-0.815* (0.492)	-0.833* (0.498)
Relatively new	-0.168 (0.288)	-0.173 (0.287)	-0.181 (0.287)	-0.986* (0.526)	-0.911* (0.499)	-0.890* (0.507)
Newest	-0.157 (0.299)	-0.178 (0.299)	-0.187 (0.299)	-0.421 (0.498)	-0.384 (0.511)	-0.369 (0.519)
Age organization	0.007*** (0.002)	0.007*** (0.002)	0.007*** (0.002)	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)
Part of larger organization	0.494*** (0.111)	0.497*** (0.113)	0.495*** (0.113)	0.298 (0.326)	0.280 (0.286)	0.274 (0.284)
R&D	-0.002 (0.103)	-0.005 (0.103)	-0.002 (0.103)	0.307 (0.217)	0.281 (0.218)	0.307 (0.210)
Performance pay	0.178* (0.100)	0.177* (0.101)	0.183* (0.101)	0.243 (0.223)	0.213 (0.233)	0.235 (0.232)
Industry dummies		Included**			Included	

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Table A.2 – Continued

<i>Workforce characteristics</i>						
Unskilled work	-0.033 (0.102)	-0.034 (0.101)	-0.036 (0.101)	0.245 (0.247)	0.240 (0.253)	0.259 (0.254)
Shiftwork	-0.005** (0.002)	-0.005** (0.002)	-0.005** (0.002)	-0.002 (0.004)	-0.002 (0.004)	-0.003 (0.004)
Hierarchical levels	0.209*** (0.075)	0.216*** (0.076)	0.217*** (0.076)	0.154 (0.155)	0.158 (0.157)	0.140 (0.155)
Percentage managers	-0.003 (0.005)	-0.003 (0.005)	-0.003 (0.005)	0.005 (0.012)	0.005 (0.012)	0.005 (0.013)
<i>Staffing</i>						
Understaffing	0.034 (0.106)	0.040 (0.106)	0.037 (0.106)	-0.275 (0.281)	-0.270 (0.289)	-0.304 (0.285)
Overstaffing	-0.248* (0.143)	-0.276* (0.149)	-0.281* (0.150)	0.016 (0.377)	0.102 (0.581)	0.111 (0.587)
Contract hours	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	-0.000 (0.001)	-0.000 (0.001)	-0.000 (0.001)
Gender (woman)	-0.004** (0.002)	-0.005** (0.002)	-0.004** (0.002)	-0.018*** (0.007)	-0.018*** (0.006)	-0.018*** (0.006)
Education level workforce	0.023** (0.010)	0.023** (0.010)	0.023** (0.010)	0.043** (0.018)	0.046** (0.018)	0.047** (0.019)
Temporary contracts	-0.011 (0.120)	-0.019 (0.120)	-0.036 (0.119)	0.506** (0.247)	0.480* (0.247)	0.491** (0.247)
<i>Market characteristics</i>						
<i>Sensitivity to business cycle</i>						
Slightly	0.214 (0.132)	0.221* (0.132)	0.222* (0.132)	-0.173 (0.185)	-0.150 (0.187)	-0.143 (0.190)
Yes/Very much	0.285** (0.138)	0.288** (0.137)	0.287** (0.138)	-0.322 (0.397)	-0.289 (0.366)	-0.303 (0.373)
<i>Model controls</i>						
	Included			Included		
Constant	11.353*** (0.527)	11.390*** (0.530)	11.387*** (0.531)	10.497*** (0.915)	10.385*** (0.860)	10.296*** (0.851)
Observations	662	662	662	304	304	304
Adjusted R^2	0.580	0.581	0.580	0.209	0.208	0.206

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table A.3: Explaining Productivity 1999 and 2001, smaller than 50 - Robustness check

	1999			2001		
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Independent variables</i>						
Works council presence	0.129 (0.369)	0.105 (0.374)	0.202 (0.464)	-0.128 (0.566)	-0.140 (0.574)	-0.263 (0.671)
Layoffs		0.158 (0.488)	0.525 (0.506)		0.029 (0.579)	0.125 (0.582)
Without layoffs		0.041 (0.180)	0.025 (0.190)		0.250 (0.256)	0.109 (0.270)
Layoffs*WC			-1.876* (1.054)			
Without layoffs*WC			0.343 (0.613)			0.794 (0.810)
<i>Organizational characteristics</i>						
Size	14.862*** (2.579)	14.786*** (2.587)	15.222*** (2.547)	11.957* (6.125)	11.403* (6.124)	11.435* (6.074)
Size ²	-0.179*** (0.066)	-0.178*** (0.067)	-0.192*** (0.064)	-0.134 (0.108)	-0.124 (0.109)	-0.125 (0.107)
<i>Technology</i>						
Not new /Not old	-0.393 (0.316)	-0.400 (0.314)	-0.398 (0.316)	-1.052* (0.575)	-1.012* (0.556)	-0.931* (0.528)
Relatively new	-0.347 (0.309)	-0.350 (0.309)	-0.360 (0.312)	-1.062* (0.629)	-1.020* (0.608)	-0.929 (0.605)
Newest	-0.245 (0.327)	-0.254 (0.328)	-0.274 (0.330)	-0.594 (0.640)	-0.578 (0.636)	-0.501 (0.627)
Age organization	0.004 (0.003)	0.004 (0.003)	0.004 (0.003)	0.001 (0.006)	0.001 (0.006)	0.002 (0.006)
Part of larger organization	0.383** (0.149)	0.386** (0.150)	0.392*** (0.149)	0.083 (0.401)	0.102 (0.396)	0.093 (0.398)
R&D	-0.062 (0.114)	-0.063 (0.116)	-0.066 (0.116)	-0.021 (0.248)	-0.039 (0.257)	-0.025 (0.260)
Performance pay	0.081 (0.129)	0.082 (0.129)	0.082 (0.129)	0.277 (0.264)	0.278 (0.270)	0.265 (0.275)
Industry dummies		Included			Included	
<i>Workforce characteristics</i>						
Unskilled work	0.001 (0.119)	0.003 (0.118)	-0.006 (0.119)	0.117 (0.252)	0.121 (0.259)	0.118 (0.261)
Shiftwork	-0.002 (0.003)	-0.002 (0.003)	-0.002 (0.003)	-0.003 (0.006)	-0.003 (0.006)	-0.004 (0.006)
Hierarchical levels	-0.028 (0.119)	-0.026 (0.119)	-0.024 (0.120)	0.080 (0.273)	0.079 (0.275)	0.070 (0.279)

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Table A.3 – *Continued*

Percentage managers	0.016** (0.006)	0.016** (0.007)	0.016** (0.007)	0.013 (0.016)	0.012 (0.016)	0.013 (0.016)
<i>Staffing</i>						
Understaffing	-0.033 (0.128)	-0.032 (0.128)	-0.037 (0.128)	-0.419 (0.330)	-0.451 (0.350)	-0.458 (0.352)
Overstaffing	-0.305* (0.165)	-0.326* (0.179)	-0.321* (0.176)	-0.163 (0.437)	-0.202 (0.480)	-0.158 (0.475)
Contract hours	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	0.002 (0.001)	0.002 (0.001)	0.002 (0.001)
Gender (woman)	-0.004* (0.002)	-0.004* (0.002)	-0.004* (0.002)	-0.015** (0.007)	-0.015** (0.007)	-0.014** (0.007)
Education level workforce	0.013 (0.011)	0.013 (0.011)	0.014 (0.011)	0.040* (0.022)	0.040* (0.022)	0.041* (0.022)
Temporary contracts	-0.238* (0.124)	-0.244* (0.125)	-0.258** (0.124)	0.066 (0.299)	0.035 (0.309)	0.051 (0.300)
<i>Market characteristics</i>						
<i>Sensitivity to business cycle</i>						
Slightly	0.322** (0.144)	0.323** (0.144)	0.332** (0.145)	-0.157 (0.232)	-0.171 (0.236)	-0.201 (0.246)
Yes/Very much	0.420*** (0.160)	0.421*** (0.160)	0.438*** (0.161)	-0.251 (0.464)	-0.265 (0.472)	-0.289 (0.470)
<i>Model controls</i>						
	Included			Included		
Constant	9.445*** (0.722)	9.483*** (0.707)	9.539*** (0.699)	8.969*** (0.990)	8.983*** (0.999)	8.924*** (0.994)
Observations	409	409	409	203	203	203
Adjusted R^2	0.276	0.272	0.274	0.0905	0.0820	0.0796

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table A.4: Explaining Productivity 1999 and 2001, larger than 50 - Robustness check

	(1)	1999 (2)	(3)	(4)	2001 (5)	(6)
<i>Independent variables</i>						
Works council presence	0.431* (0.224)	0.430* (0.223)	0.429 (0.271)	0.145 (0.593)	0.301 (0.489)	0.242 (0.547)
Layoffs		0.420 (0.343)	0.886* (0.505)		-1.705 (2.450)	-1.730 (2.487)
Without layoffs		-0.167 (0.206)	-0.249 (0.426)		0.145 (0.481)	-0.255 (0.989)
Layoffs*WC			-0.494 (0.633)			
Without layoffs*WC			0.088 (0.440)			0.427 (0.973)
<i>Organizational characteristics</i>						
Size	0.259*** (0.030)	0.260*** (0.031)	0.260*** (0.031)	0.103 (0.162)	0.116 (0.176)	0.119 (0.180)
Size ²	-0.000*** (0.000)	-0.000*** (0.000)	-0.000*** (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
<i>Technology</i>						
Not new/Not old	0.248 (0.371)	0.233 (0.374)	0.236 (0.376)	0.201 (1.129)	0.337 (0.987)	0.350 (0.989)
Relatively new	0.181 (0.351)	0.185 (0.351)	0.182 (0.355)	0.300 (1.212)	0.536 (1.019)	0.553 (1.023)
Newest	0.053 (0.391)	0.044 (0.392)	0.047 (0.394)	0.756 (1.120)	0.873 (1.060)	0.889 (1.066)
Age organization	0.007*** (0.003)	0.007*** (0.003)	0.007*** (0.003)	-0.001 (0.007)	-0.000 (0.007)	-0.000 (0.007)
Part of larger organization	0.439*** (0.163)	0.403** (0.167)	0.398** (0.169)	0.303 (0.550)	0.203 (0.443)	0.186 (0.443)
R&D	-0.124 (0.193)	-0.130 (0.193)	-0.139 (0.196)	0.580 (0.388)	0.607 (0.396)	0.620 (0.396)
Performance pay	0.206 (0.151)	0.212 (0.155)	0.214 (0.156)	0.467 (0.342)	0.382 (0.352)	0.394 (0.356)
Industry dummies		Included**			Included*	
<i>Workforce characteristics</i>						
Unskilled work	-0.341** (0.156)	-0.368** (0.155)	-0.369** (0.156)	0.724 (0.506)	0.836 (0.549)	0.831 (0.550)
Shiftwork	-0.008** (0.003)	-0.007** (0.003)	-0.007** (0.003)	0.002 (0.007)	-0.000 (0.007)	-0.000 (0.008)
Hierarchical levels	0.153 (0.099)	0.174* (0.101)	0.179* (0.104)	-0.112 (0.141)	-0.148 (0.155)	-0.147 (0.154)

Continued on next page

Table A.4 – *Continued*

Percentage managers	0.007 (0.010)	0.006 (0.010)	0.006 (0.011)	0.200*** (0.061)	0.209*** (0.066)	0.209*** (0.067)
<i>Staffing</i>						
Understaffing	-0.005 (0.166)	0.023 (0.167)	0.024 (0.167)	-0.151 (0.410)	-0.195 (0.438)	-0.184 (0.444)
Overstaffing	-0.252 (0.264)	-0.232 (0.260)	-0.229 (0.262)	-0.059 (0.620)	0.196 (0.908)	0.237 (0.961)
Contract hours	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	-0.003* (0.002)	-0.003** (0.002)	-0.003* (0.002)
Gender (woman)	-0.002 (0.004)	-0.003 (0.004)	-0.003 (0.004)	0.001 (0.014)	-0.004 (0.012)	-0.004 (0.012)
Education level workforce	0.026 (0.019)	0.026 (0.020)	0.026 (0.020)	-0.024 (0.047)	-0.017 (0.051)	-0.017 (0.052)
Temporary contracts	0.252 (0.263)	0.264 (0.264)	0.259 (0.269)	0.051 (0.530)	0.063 (0.517)	0.060 (0.521)
<i>Market characteristics</i>						
<i>Sensitivity to business cycle</i>						
Slightly	-0.186 (0.262)	-0.171 (0.262)	-0.168 (0.265)	0.214 (0.422)	0.386 (0.437)	0.367 (0.439)
Yes/Very much	-0.099 (0.232)	-0.086 (0.233)	-0.084 (0.238)	-0.578 (0.690)	-0.446 (0.573)	-0.472 (0.600)
<i>Model controls</i>						
	Included			Included		
Constant	11.537*** (0.724)	11.440*** (0.749)	11.426*** (0.754)	11.272*** (2.154)	10.719*** (2.009)	10.773*** (2.048)
Observations	253	253	253	101	101	101
Adjusted R ²	0.448	0.448	0.443	0.213	0.217	0.207

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

A.3 Graphs of interaction effects

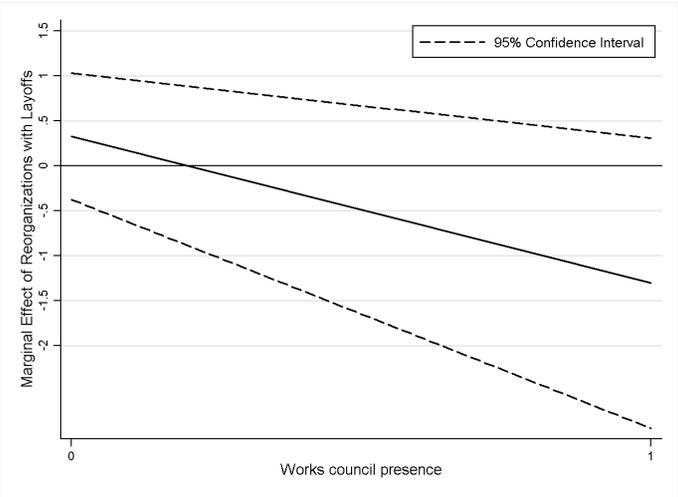


Figure A.1: Marginal effect of Reorganization with Layoffs if Works Council is Present 1999

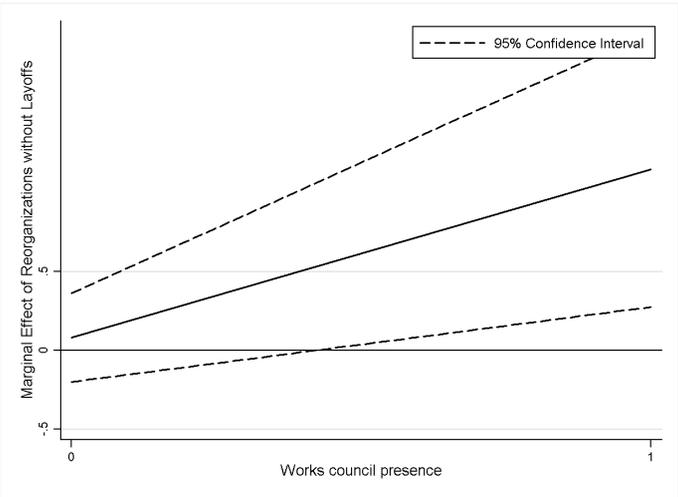


Figure A.2: Marginal effect of Reorganization without Layoffs if Works Council is Present 2001

Appendix B

Appendix - Chapter 3

B.1 Probit analyses for Heckman analyses

Table B.1: Explaining Participation on hires and departures variable 1999

	Hires	Departures
<i>Organizational characteristics</i>		
<i>Industries</i>		
Construction	-0.618*** (-0.193)	-0.535*** (-0.191)
Commercial, catering, repair	-0.483*** (-0.185)	-0.430** (-0.183)
Transport	-0.379* (-0.228)	-0.309 (-0.227)
Business services	-0.284 (-0.193)	-0.253 (-0.191)
Care	-0.203 (-0.141)	-0.164 (-0.139)
Other services	-0.205 (-0.216)	-0.176 (-0.213)
Government	0.234 (-0.203)	0.248 (-0.200)
Education	0.102 (-0.180)	0.076 (-0.175)
<i>Size</i>		
10-19 employees	-0.026 (-0.154)	-0.031 (-0.151)
20-49 employees	-0.127 (-0.158)	-0.135 (-0.155)
50-99 employees	-0.214 (-0.177)	-0.170 (-0.174)
100-499 employees	-0.321** (-0.162)	-0.258 (-0.159)
500+ employees	-0.571*** (-0.185)	-0.538*** (-0.183)
Reorganizations in past two years	-0.154* (-0.089)	-0.168* (-0.088)
R&D	-0.062 (-0.088)	-0.100 (-0.087)
<i>Part of larger organization</i>		
Holding	0.095 (-0.292)	0.120 (-0.292)
Headquarters	-0.231 (-0.157)	-0.225 (-0.156)

Continued on next page

Table B.1 – *Continued*

	Hires	Departures
Parent company	-0.212 (-0.336)	-0.162 (-0.333)
Branch	-0.151 (-0.151)	-0.095 (-0.150)
Foreign subsidiary	-0.177 (-0.196)	-0.180 (-0.195)
Domestic subsidiary	0.122 (-0.161)	0.155 (-0.160)
Other	-0.152 (-0.156)	-0.165 (-0.155)
<i>Respondent characteristics</i>		
<i>Respondent's profession</i>		
Head HR department	-0.231** (-0.114)	-0.247** (-0.113)
Employee HR department	-0.269 (-0.178)	-0.253 (-0.177)
Administrator (other than HR)	0.342 (-0.259)	0.264 (-0.252)
Other	-0.217 (-0.146)	-0.272* (-0.145)
Constant	1.219*** (-0.217)	1.188*** (-0.211)
Observations	1115	1115
Model χ^2_{26}	70.98***	65.14***

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table B.2: Explaining Participation on hires and departures variable 2001

	Hires	Departures
<i>Organizational characteristics</i>		
<i>Industries</i>		
Construction	-0.209 (-0.171)	-0.194 (-0.172)
Commercial, catering, repair	-0.289* (-0.15)	-0.275* (-0.151)
Transport	-0.025 (-0.185)	-0.011 (-0.185)
Business services	-0.208 (-0.153)	-0.172 (-0.152)
Care	-0.241** (-0.109)	-0.228** (-0.109)
Other services	0.045 (-0.156)	0.054 (-0.156)
Government	-0.057 (-0.156)	-0.051 (-0.156)
Education	-0.052 (-0.144)	-0.041 (-0.144)
<i>Size</i>		
10-19 employees	0.085 (-0.118)	0.075 (-0.118)
20-49 employees	-0.016 (-0.123)	-0.004 (-0.123)
50-99 employees	-0.378** (-0.15)	-0.389*** (-0.15)
100-499 employees	-0.417*** (-0.127)	-0.427*** (-0.127)
500+ employees	-0.410** (-0.173)	-0.423** (-0.173)
Reorganizations in past two years	-0.142* (-0.075)	-0.147* (-0.075)
R&D	-0.163** (-0.073)	-0.154** (-0.073)
<i>Part of larger organization</i>		
Holding/parent company	0.003 (-0.122)	0.000 (-0.122)
Sister organization	0.012 (-0.152)	0.008 (-0.152)
Subsidiary	-0.130 (-0.084)	-0.132 (-0.084)

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Table B.2 – *Continued*

	Hires	Departures
Don't know	0.113 (-0.155)	0.147 (-0.154)
<i>Respondent characteristics</i>		
<i>Respondent's profession</i>		
CEO/owner	-0.170 (-0.165)	-0.165 (-0.165)
Chief operating officer	0.107 (-0.296)	0.112 (-0.296)
Chief financial officer	-0.319 (-0.365)	-0.305 (-0.365)
Deputy director	-0.083 (-0.120)	-0.058 (-0.120)
HR manager	0.039 (-0.140)	0.042 (-0.140)
Establishment manager	-0.296 (-0.185)	-0.286 (-0.185)
Other	-0.070 (-0.100)	-0.055 (-0.100)
Constant	0.165 (-0.160)	0.139 (-0.160)
Observations	1550	1550
Model χ^2_{26}	83.65***	83.25***

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

B.2 Descriptive statistics Voluntary and Involuntary quits

Table B.3: Descriptive statistics Voluntary quits

	1999				2001			
	Mean	SD	Min	Max	Mean	SD	Min	Max
<i>Dependent variables</i>								
Voluntary quits	7.84	7.88	0	45.1	5.03	6.27	0	31.43
<i>Industrial Relations characteristics</i>								
Works council presence	0.82	0.38	0	1	0.55	0.5	0	1
Non-compliance	0.07	0.26	0	1	0.03	0.17	0	1
Compliance <50	0.12	0.33	0	1	0.3	0.46	0	1
<i>Organizational characteristics</i>								
Size	221.63	384.8	35	3000	82.05	244.78	5	2327
Advancement of technology	1.93	0.81	0	3	1.56	0.76	0	3
Age organization	33.02	31.79	3	102	27.21	27.6	1	102
<i>Industry</i>								
Industry and agriculture	20.8				22.66			
Construction	4.8				3.13			
Commercial, catering, repair	6.4				5.47			
Transport	6.4				4.69			
Business services	8.8				6.25			
Care	26.4				25.78			
Other services	3.2				9.38			
Government	14.4				8.59			
Education	8.8				14.06			
<i>Workforce characteristics</i>								
<i>Education level workforce, share with:</i>								
University/college education	29.37	29.66	0	100	29.52	33.39	0	100
Higher secondary education	30.59	23.12	0	85.71	32.51	26.95	0	100
Lower secondary education	33.3	28.72	0	98.75	30.82	29.02	0	100
Lower primary education	6.74	14.88	0	93.33	7.14	15.03	0	80.77
<i>Tenure workforce, share with:</i>								
Tenure < 5 years	31.94	22.4	0	100	38.61	22.4	0	100
Tenure 5 - 10 years	26.47	15.46	0	75.8	25.79	17.67	0	70.83
Tenure > 10 years	41.6	22.15	0	100	35.61	24.18	0	100
<i>Age workforce, share:</i>								
Younger than 20 years	1.89	4.83	0	39.47	3.41	9.45	0	64.81
Between 20 and 29 years old	16.69	11.84	0	62.5	21.65	18.12	0	76.47
Between 30 and 39 years old	31.63	11.01	7.48	75.76	27.31	15.02	0	85.71
Between 40 and 49 years old	30.83	11.42	5.26	73.33	27.45	16.01	0	90
Older than 50 years	18.97	11.68	0	51.4	12.48	11.11	0	60
Older than 55 years					7.7	8.65	0	50
<i>Contract hours, share with:</i>								
No agreed contract hours	24.65	39.12	0	100	1.27	5.77	0	50
0 to 11 contract hours	5.45	10.64	0	77.1	7.69	12.46	0	54.55
12 to 23 contract hours	14.04	13.68	0	83.3	17.38	17.03	0	78.38
24 to 34 contract hours	16.58	19.32	0	92.4	19.54	21.95	0	100
35 or more contract hours	39.28	34.87	0	100	54.12	34.13	0	100

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Table B.3 – *Continued*

	1999				2001			
	Mean	SD	Min	Max	Mean	SD	Min	Max
<i>Staffing</i>								
Fitting staff	55.2				75			
Understaffing	34.4				20.31			
Overstaffing	10.4				4.69			
Temporary contracts	0.85	0.36	0	1	0.66	0.47	0	1
Unskilled work	0.71	0.45	0	1	0.58	0.5	0	1
Overtime	0.67	0.47	0	1	0.55	0.5	0	1
Shiftwork	0.27	0.33	0	1	0.16	0.3	0	1
Autonomous task groups	0.58	0.5	0	1	0.7	0.46	0	1
Personnel equipped for fut. work	0.58	0.5	0	1	0.81	0.39	0	1
<i>Market characteristics</i>								
<i>Level of lowest wages</i>								
Until minimum wage	14.52				6.25			
0-10% above minimum wage	25				27.34			
More than 10% > min. wage	60.48				66.41			
<i>Sensitivity to business cycle</i>								
No/Hardly	44.8				42.19			
Slightly	28.8				42.19			
Yes/Very much	26.4				15.63			
<i>Expected changes in employment</i>								
No changes expected	45.6				52.34			
Expected decrease	7.2				12			
Expected increase	47.2				35.94			
<i>Model controls</i>								
Age dummy	0.09	0.28	0	1	0.06	0.24	0	1
Inverse Mills	0.52	0.16	0.22	0.94	1.04	0.21	0.7	1.66
	N = 125				N = 128			

Table B.4: Descriptive statistics Involuntary quits

	1999				2001			
	Mean	SD	Min	Max	Mean	SD	Min	Max
<i>Dependent variables</i>								
Involuntary quits	0.5	1.81	0	17.07	0.64	2.55	0	22.22
<i>Industrial Relations characteristics</i>								
Works council presence	0.81	0.39	0	1	0.54	0.5	0	1
<i>Organizational characteristics</i>								
Size	236.16	405.45	35	3000	111.82	395.85	5	4162
Advancement of technology	1.94	0.78	0	3	1.55	0.74	0	3
Age organization	34.36	32.79	3	102	27.79	26.87	1	102
<i>Industry</i>								
Industry and agriculture	20.72				19.55			
Construction	4.5				5.59			
Commercial, catering, repair	7.21				5.03			
Transport	5.41				5.59			
Business services	9.91				5.03			
Care	27.93				24.58			
Other services	3.6				10.61			
Government	14.41				6.7			
Education	6.31				17.32			
<i>Workforce characteristics</i>								
<i>Education level workforce, share with:</i>								
University/college education	28.33	29.18	0	100	30.09	34.23	0	100
Higher secondary education	30.27	23.06	0	85.71	31.09	27.48	0	100
Lower secondary education	34.24	29.23	0	98.75	31.84	29.89	0	100
Lower primary education	7.16	15.54	0	93.33	6.98	14.92	0	80.77
<i>Tenure workforce, share with:</i>								
Tenure < 5 years	32.52	23.22	0	100	36.23	22.43	0	100
Tenure 5 - 10 years	26.74	15.71	0	75.8	25.19	18.01	0	70.83
Tenure > 10 years	40.75	22.61	0	100	38.58	25.28	0	100
<i>Age workforce, share:</i>								
Younger than 20 years	1.86	4.89	0	39.47	3.12	8.62	0	64.81
Between 20 and 29 years old	16.98	12.11	0	62.5	20.23	17.62	0	80
Between 30 and 39 years old	31.92	11.38	7.48	75.76	27.78	15.81	0	100
Between 40 and 49 years old	30.39	11.48	5.26	73.33	27.95	16.94	0	90
Older than 50 years	18.84	11.71	0	51.4	12.79	11.92	0	60
Older than 55 years					8.13	8.77	0	50
<i>Contract hours, share with:</i>								
No agreed contract hours	25.16	39.43	0	100	2.19	11.45	0	100
0 to 11 contract hours	5.56	11.08	0	77.1	8.04	12.6	0	57.14
12 to 23 contract hours	13.93	13.88	0	83.3	17.7	17.9	0	78.38
24 to 34 contract hours	17.17	20.15	0	92.4	20.06	23.21	0	100
35 or more contract hours	38.18	35.1	0	100	52.02	34.47	0	100
<i>Staffing</i>								
Fitting staff	55.86				75.98			
Understaffing	34.23				18.99			
Overstaffing	9.91				5.03			
Temporary contracts	0.86	0.35	0	1	0.65	0.48	0	1
Unskilled work	0.74	0.44	0	1	0.58	0.49	0	1

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Table B.4 – *Continued*

	1999				2001			
	Mean	SD	Min	Max	Mean	SD	Min	Max
Overtime	0.69	0.46	0	1	0.49	0.5	0	1
Shiftwork	0.28	0.34	0	1	0.18	0.32	0	1
Autonomous task groups	0.56	0.5	0	1	0.69	0.46	0	1
Personnel equipped for fut. work	0.6	0.49	0	1	0.79	0.41	0	1
<i>Market characteristics</i>								
<i>Level of lowest wages</i>								
Until minimum wage	15.32				6.7			
0-10% above minimum wage	25.23				24.02			
More than 10% > min. wage	59.46				69.27			
<i>Sensitivity to business cycle</i>								
No/Hardly	43.23				46.37			
Slightly	31.53				36.31			
Yes/Very much	25.33				17.32			
<i>Expected changes in employment</i>								
No changes expected	43.23				52.51			
Expected decrease	8.11				10.06			
Expected increase	48.65				37.43			
<i>Model controls</i>								
Age dummy	0.1	0.3	0	1	0.05	0.22	0	1
Inverse Mills	0.52	0.16	0.22	0.94	1.04	0.21	0.7	1.66
	N = 111				N = 179			

B.3 Correlation matrices Voluntary and Involuntary quits

Table B.5: Correlation matrix Voluntary quits 1999

	1	2	3	4	5	6	7	8	9	10	11
1. Voluntary quits 1999	-0.03										
2. Works council presence	-0.06	-0.60***									
3. Non-compliance	0.14	0.17*	-0.10								
4. Compliance <50	-0.03	0.17*	-0.06	-0.17*							
5. Size	0.00	0.09	-0.05	-0.07	0.92***						
6. Size ²	0.02	-0.07	0.02	-0.03	0.02	0.03					
7. Advancement of technology	0.03	-0.07	0.05	-0.14	0.04	0.02	0.05				
8. Age organization	0.01	0.24***	-0.20**	0.24***	0.00	-0.01	0.09	0.03			
9. Education level workforce	-0.12	0.12	0.01	-0.08	0.06	-0.02	0.01	0.14	-0.03		
10. Tenure workforce	-0.37***	0.30***	-0.05	0.11	0.08	0.03	-0.04	0.12	0.31***	0.34***	
11. Age workforce	-0.06	0.05	-0.15	0.04	0.00	0.00	-0.02	0.08	0.18**	-0.02	0.09
12. Contract hours	0.17*	0.07	0.00	-0.05	0.19**	0.13	0.03	0.25***	0.10	0.01	0.13
13. Staffing	-0.08	0.27***	-0.14	0.02	0.13	0.08	-0.04	-0.09	0.23**	-0.21**	0.17*
14. Temporary contracts	0.00	-0.02	0.04	0.13	0.11	0.09	-0.03	-0.04	-0.14	0.14	0.07
15. Unskilled work	-0.03	0.12	-0.07	-0.21**	0.18**	0.12	0.02	0.09	-0.30***	0.02	0.07
16. Overtime	0.18*	0.06	-0.03	-0.05	0.09	0.06	0.07	-0.01	-0.18**	-0.11	-0.20**
17. Shiftwork	0.13	-0.01	-0.01	0.17*	-0.16*	-0.13	-0.04	-0.15	0.28***	-0.16*	-0.05
18. Autonomous task groups	0.01	-0.18**	0.18**	0.07	-0.01	0.02	0.02	-0.18*	-0.04	-0.03	0.01
19. Personnel equipped for future work	-0.08	-0.18**	0.10	-0.13	-0.05	-0.11	0.16*	0.12	-0.13	0.17*	0.09
20. Sensitivity to business cycle	-0.05	-0.01	0.06	-0.03	0.14	0.14	0.12	-0.02	0.18**	-0.21**	-0.09
21. Expectations for employment	0.05	0.07	-0.09	-0.11	0.07	0.10	-0.08	0.68***	0.10	0.06	0.08
22. D_age	0.06	0.02	0.15	-0.09	0.42***	0.32***	-0.03	0.01	-0.19**	0.03	-0.10
23. Inverse Mills ratio	12	13	14	15	16	17	18	19	20	21	22
13. Staffing	0.10										
14. Temporary contracts	0.00	0.05									
15. Unskilled work	-0.03	-0.03	0.03								
16. Overtime	-0.07	0.07	0.08	-0.03							
17. Shiftwork	0.01	-0.07	0.05	0.03	-0.09						
18. Autonomous task groups	0.01	-0.19**	0.00	-0.12	-0.15*	-0.03					
19. Personnel equipped for future work	-0.16*	-0.14	-0.09	0.03	0.02	0.05	0.08				
20. Sensitivity to business cycle	-0.09	0.11	0.01	0.01	0.01	0.01	-0.09	0.06			
21. Expectations for employment	0.02	0.15	0.12	0.08	0.06	-0.10	0.08	0.03	0.01		
22. D_age	0.16*	0.04	-0.10	-0.05	0.10	0.03	-0.13	-0.08	-0.10	0.08	
23. Inverse Mills ratio	-0.16*	0.23**	-0.05	0.10	-0.02	0.11	-0.07	0.01	0.07	0.09	-0.15*

N = 125

*** p<0.01, ** p<0.05, * p<0.1

Table B.6: Correlation matrix Involuntary quits 1999

	1	2	3	4	5	6	7	8	9	10	11
1. Involuntary quits 1999	0.07										
2. Works council presence	0.04	0.19**									
3. Size	-0.01	0.10	0.93***								
4. Size ²	0.09	-0.07	0.03	0.04							
5. Advancement of technology	0.14	-0.04	0.03	0.02	0.01						
6. Age organization	0.06	0.24**	0.00	0.00	0.09	0.05					
7. Education level workforce	0.00	0.10	0.06	-0.02	0.04	0.17*	-0.05				
8. Tenure workforce	0.01	0.29***	0.07	0.04	-0.03	0.15	0.29***	0.31***			
9. Age workforce	-0.02	0.01	0.00	0.01	-0.05	0.10	0.19**	-0.06	0.06		
10. Contract hours	0.26***	0.12	0.22**	0.14	0.01	0.26***	0.09	0.04	0.16*	0.17*	
11. Staffing	0.03	0.26***	0.13	0.08	0.00	-0.09	0.22**	-0.22**	0.18*	0.01	0.10
12. Temporary contracts	0.00	-0.03	0.12	0.09	0.00	-0.05	-0.07	0.15	0.10	-0.05	0.02
13. Unskilled work	-0.10	0.13	0.18*	0.12	0.07	0.12	-0.29***	0.02	0.09	-0.10	0.10
14. Overtime	-0.10	0.09	0.09	0.06	0.04	-0.02	-0.17*	-0.10	-0.20**	0.03	-0.06
15. Shiftwork	0.02	-0.01	-0.16*	-0.14	-0.07	-0.17*	0.23**	-0.15	-0.06	0.02	-0.23**
16. Autonomous task groups	-0.15	-0.16	-0.02	0.01	-0.02	-0.20**	-0.02	0.01	0.03	-0.17*	-0.14
17. Personnel equipped for future work	0.06	-0.15	-0.28***	-0.27***	0.11	0.03	-0.21**	0.08	0.06	-0.05	-0.08
18. Level of lowest wages	0.18*	-0.16*	-0.07	-0.12	0.15	0.16	-0.20**	0.21**	0.08	-0.06	0.06
19. Sensitivity to business cycle	-0.04	-0.02	0.13	0.14	0.10	-0.02	0.18*	-0.20**	-0.09	0.03	0.15
20. Expectations for employment	-0.04	0.08	0.06	0.10	-0.09	0.69***	0.12	0.07	0.09	0.18*	0.05
21. D_age	0.09	0.04	0.44***	0.33***	-0.04	-0.02	-0.13	0.03	-0.07	-0.17*	0.25***
22. Inverse Mills ratio	12	13	14	15	16	17	18	19	20	21	
13. Unskilled work	0.05										
14. Overtime	0.06	-0.04									
15. Shiftwork	0.10	0.00	-0.09								
16. Autonomous task groups	-0.05	-0.03	-0.12	0.01							
17. Personnel equipped for future work	-0.07	0.02	0.02	0.01	0.10						
18. Level of lowest wages	0.04	-0.17*	0.13	-0.02	-0.01	0.04					
19. Sensitivity to business cycle	0.07	0.07	0.02	-0.04	-0.11	0.02	0.04				
20. Expectations for employment	0.08	0.18*	0.0	-0.08	0.05	0.01	-0.20**	-0.03			
21. D_age	-0.12	-0.08	0.09	0.03	-0.13	-0.10	-0.03	-0.11	0.08		
22. Inverse Mills ratio	0.01	0.05	-0.05	0.10	-0.01	0.02	-0.12	0.12	0.13	-0.17*	

N = 111

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table B.7: Correlation matrix Voluntary quits 2001

	1	2	3	4	5	6	7	8	9	10	11
1. Voluntary quits 2001	-0.19**										
2. Works council presence	0.12	-0.20**									
3. Non-compliance	-0.06	0.59**	-0.12								
4. Compliance <50	-0.05	0.23**	0.01	-0.16*							
5. Size	0.00	0.12	-0.02	-0.09	0.94**						
6. Size ²	0.00	-0.05	-0.01	-0.10	0.10	0.08					
7. Advancement of technology	-0.16*	0.06	0.02	-0.06	0.20**	0.22**	0.10				
8. Age organization	0.02	0.22**	-0.06	0.32**	-0.11	-0.06	-0.03	-0.07			
9. Education level workforce	-0.45**	0.18**	-0.14	-0.05	0.13	0.06	-0.08	0.20**	0.06		
10. Tenure workforce	-0.18**	0.31**	-0.07	0.22**	0.08	0.04	-0.16*	0.03	0.29**	0.39**	
11. Age workforce	-0.23**	-0.06	0.13	-0.29**	0.08	0.00	-0.02	0.11	-0.25**	0.29**	0.18**
12. Contract hours	-0.05	0.06	-0.10	-0.07	0.23**	0.18**	-0.03	-0.03	-0.02	0.11	0.12
13. Staffing	0.23**	0.18**	0.13	-0.12	0.19**	0.09	0.07	0.04	0.11	-0.01	0.21**
14. Temporary contracts	0.10	0.18**	-0.03	0.00	0.09	0.06	0.05	-0.01	-0.21**	0.03	0.06
15. Unskilled work	0.10	0.07	0.16*	-0.24**	0.16*	0.09	0.13	0.07	-0.26**	-0.03	0.00
16. Overtime	0.03	-0.01	0.01	-0.07	0.05	0.05	0.17*	0.05	-0.24**	-0.10	-0.07
17. Shiftwork	-0.16*	-0.06	-0.08	0.02	0.06	0.08	0.07	0.09	0.18**	0.12	-0.06
18. Autonomous task groups	0.20**	-0.04	-0.03	-0.04	-0.14	-0.17*	0.09	0.02	-0.05	-0.21**	-0.03
19. Personnel equipped for future work	0.04	-0.14	0.07	-0.12	0.03	0.03	0.07	0.08	-0.20**	0.08	-0.02
20. Sensitivity to business cycle	-0.02	0.03	-0.02	0.06	0.08	0.10	0.18**	-0.05	-0.09	-0.18**	0.00
21. Expectations for employment	-0.03	0.11	-0.05	-0.03	0.27**	0.32**	0.06	0.70**	0.02	0.05	-0.06
22. D_age	-0.06	0.44**	0.06	-0.09	0.27**	0.11	0.03	-0.07	-0.13	0.00	0.12
23. Inverse Mills ratio	12	13	14	15	16	17	18	19	20	21	22
13. Staffing	0.26**										
14. Temporary contracts	-0.01	0.05									
15. Unskilled work	0.00	-0.03	0.10								
16. Overtime	0.23**	0.17*	0.23**	0.13							
17. Shiftwork	-0.13	0.05	0.01	0.20**	0.17*						
18. Autonomous task groups	-0.09	-0.11	-0.08	-0.02	-0.11	-0.17*					
19. Personnel equipped for future work	-0.02	-0.21**	0.04	-0.09	-0.11	0.06	-0.14				
20. Sensitivity to business cycle	0.24**	0.06	-0.06	0.13	0.13	-0.18**	-0.06	-0.01			
21. Expectations for employment	-0.15*	0.10	-0.02	0.16*	-0.06	0.10	-0.08	0.07	0.03		
22. D_age	-0.01	-0.02	0.12	-0.04	0.04	-0.02	0.03	0.04	-0.04	-0.09	
23. Inverse Mills ratio	0.10	0.13	0.23**	0.21**	0.32**	0.11	-0.11	0.06	0.00	0.02	-0.07

N = 128

*** p<0.01, ** p<0.05, * p<0.1

Table B.8: Correlation matrix Involuntary quits 2001

	1	2	3	4	5	6	7	8	9	10	11
1. Involuntary quits 2001											
2. Works council presence	-0.16**										
3. Size	0.02	0.22***									
4. Size ²	0.00	0.11	0.92***								
5. Advancement of technology	-0.06	0.00	0.20***	0.17**							
6. Age organization	0.12	0.04	0.10	0.04	0.06						
7. Education level workforce	-0.13*	0.26***	-0.07	-0.03	-0.03	-0.15*					
8. Tenure workforce	0.05	0.11	0.08	0.02	-0.13*	0.24***	0.00				
9. Age workforce	-0.05	0.30***	0.07	0.03	-0.13*	0.01	0.25***	0.38***			
10. Contract hours	0.12*	-0.07	0.08	0.02	-0.01	0.09	-0.19**	0.22***	0.15**		
11. Staffing	0.04	0.10	0.10	0.01	-0.05	-0.03	-0.02	0.10	0.14*	0.25***	
12. Temporary contracts	-0.06	0.24***	0.17**	0.09	0.15**	-0.04	0.21***	-0.05	0.22***	0.06	0.09
13. Unskilled work	0.14*	0.12	-0.02	-0.06	0.04	0.00	-0.16**	0.04	0.08	-0.05	-0.11
14. Overtime	-0.02	0.10	0.18**	0.11	0.15**	0.06	-0.28***	-0.03	0.01	0.17**	0.12
15. Shiftwork	-0.06	0.12	0.14*	0.08	0.15**	0.06	-0.19**	-0.06	-0.05	-0.12	0.08
16. Autonomous task groups	0.00	-0.06	0.02	0.05	0.06	0.01	0.18**	0.01	-0.10	-0.02	-0.07
17. Personnel equipped for future work	-0.04	-0.09	-0.07	-0.02	0.06	0.02	-0.04	-0.17**	-0.11	-0.05	-0.21***
18. Level of lowest wages	-0.06	0	0.00	0.01	-0.14*	0.08	-0.06	0.12	0.11	0.19***	0.12*
19. Sensitivity to business cycle	0.17**	-0.08	0.02	-0.04	0.12	0.07	-0.19**	-0.02	-0.04	0.21***	0.11
20. Expectations for employment	0.05	-0.01	0.12	0.12	0.26***	-0.06	-0.03	-0.16**	-0.03	-0.08	0.05
21. D_age	-0.05	0.06	0.11	0.07	0.04	0.64***	0.01	0.04	-0.07	0.00	-0.03
22. Inverse Mills ratio	0.10	0.42***	0.33***	0.19**	0.09	-0.05	-0.10	-0.03	0.09	0.12	0.18**
13. Unskilled work	0.05										
14. Overtime	0.19**	0.15*									
15. Shiftwork	0.08	0.18**	0.22***								
16. Autonomous task groups	-0.05	0.00	-0.18**	-0.18**							
17. Personnel equipped for future work	-0.05	-0.13*	-0.11	-0.02	-0.10						
18. Level of lowest wages	-0.06	-0.26***	0.12	-0.09	-0.03	-0.04					
19. Sensitivity to business cycle	-0.03	0.11	0.14*	-0.04	-0.05	-0.13*	-0.04				
20. Expectations for employment	0.05	0.11	-0.03	0.04	-0.06	0.05	-0.28***	0.09			
21. D_age	0.06	-0.01	0.03	0.00	0.04	-0.01	0.06	0.02	-0.04		
22. Inverse Mills ratio	0.27***	0.14*	0.29***	0.17**	-0.06	-0.04	0.03	0.13*	0.03	-0.05	

N = 179

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

B.4 Robustness checks explaining Labor turnover

Table B.9: Explaining Voluntary quits 1999 and 2001 - Robustness check

	1999	2001
<i>Industrial Relations characteristics</i>		
Works council presence	0.023 (0.029)	-0.021* (0.011)
Size	-0.056 (0.087)	-0.116 (0.088)
Size ²	0.023 (0.048)	0.060 (0.050)
Advancement of technology	-0.035 (0.110)	0.024 (0.066)
Age organization	-0.064** (0.032)	-0.018 (0.023)
<i>Workforce characteristics</i>		
Education level workforce	0.362* (0.207)	-0.093 (0.087)
Tenure workforce	-0.021 (0.040)	-0.052*** (0.018)
Age workforce	-0.881*** (0.239)	0.122 (0.106)
Contract hours	0.048 (0.069)	-0.307*** (0.088)
<i>Staffing</i>		
Understaffing	0.028 (0.025)	0.040*** (0.011)
Overstaffing	0.035 (0.033)	0.014 (0.019)
Temporary contracts	-0.018 (0.033)	0.054*** (0.009)
Unskilled work	0.005 (0.018)	0.009 (0.009)
Overtime	0.016 (0.026)	0.006 (0.010)
Shiftwork	0.010 (0.030)	-0.040* (0.021)
Autonomous task groups	0.004 (0.024)	-0.009 (0.011)
Personnel equipped for future work	0.009 (0.018)	0.007 (0.012)
<i>Market characteristics</i>		

Continued on next page

Table B.9 – *Continued*

	1999	2001
<i>Sensitivity to business cycle</i>		
Slightly	0.058** (0.028)	0.007 (0.009)
Yes/Very much	0.031 (0.026)	0.004 (0.014)
<i>Expectations for employment</i>		
Decrease	-0.012 (0.029)	-0.024 (0.016)
Increase	-0.040** (0.017)	-0.016 (0.010)
<i>Model controls</i>		Included
Observations	125	128
F	6.62***	4.91***

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table B.10: Explaining Involuntary quits 1999 and 2001 - Robustness check

	1999	2001
<i>Industrial Relations characteristics</i>		
Works council presence	0.005* (0.003)	-0.011* (0.006)
Size	0.041*** (0.013)	0.009 (0.015)
Size ²	-0.022** (0.010)	-0.000 (0.004)
Advancement of technology	0.020* (0.011)	-0.110** (0.046)
Age organization	0.010** (0.005)	0.030*** (0.009)
<i>Workforce characteristics</i>		
Education level workforce	-0.064*** (0.025)	-0.031 (0.040)
Tenure workforce	-0.006 (0.004)	-0.002 (0.006)
Age workforce	-0.018 (0.023)	-0.031 (0.048)
Contract hours	-0.017** (0.007)	-0.019 (0.023)
<i>Staffing</i>		
Understaffing	0.007*** (0.003)	-0.001 (0.006)
Overstaffing	0.016*** (0.005)	-0.000 (0.006)
Temporary contracts	0.002 (0.003)	0.004 (0.004)
Unskilled work	-0.003 (0.002)	0.010** (0.005)
Overtime	-0.010** (0.004)	0.002 (0.004)
Shiftwork	-0.005* (0.003)	-0.002 (0.008)
Autonomous task groups	0.006** (0.003)	0.007 (0.006)
Personnel equipped for future work	-0.002 (0.002)	0.003 (0.005)
<i>Market characteristics</i>		
<i>Sensitivity to business cycle</i>		
Slightly	0.004* (0.002)	0.014** (0.007)

Continued on next page

Table B.10 – *Continued*

	1999	2001
Yes/Very much	0.004 (0.002)	0.015** (0.007)
<i>Expectations for employment</i>		
Decrease	-0.002 (0.003)	0.008* (0.004)
Increase	-0.000 (0.002)	0.005 (0.004)
<i>Model controls</i>		Included
Observations	111	179
F	2.66***	8.80***

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table B.11: Explaining Hires 1999 and 2001 - Robustness check

	1999	2001
<i>Industrial Relations characteristics</i>		
Works council presence	0.002 (0.029)	-0.028 (0.020)
Size	0.102 (0.122)	-0.021 (0.099)
Size ²	-0.038 (0.074)	0.022 (0.032)
Advancement of technology	0.028 (0.183)	-0.084 (0.126)
Age organization	-0.025 (0.047)	0.031 (0.037)
<i>Workforce characteristics</i>		
Education level workforce	0.376 (0.242)	0.018 (0.130)
Tenure workforce	-0.078 (0.049)	-0.119*** (0.035)
Age workforce	-0.428 (0.277)	-0.117 (0.222)
Contract hours	-0.064 (0.105)	-0.289*** (0.106)
<i>Staffing</i>		
Understaffing	0.005 (0.032)	0.042 (0.026)
Overstaffing	-0.020 (0.036)	-0.044 (0.040)
Temporary contracts	-0.031 (0.046)	0.025 (0.020)
Unskilled work	-0.023 (0.030)	0.025 (0.015)
Overtime	-0.019 (0.033)	0.030* (0.018)
Shiftwork	0.018 (0.033)	0.049 (0.032)
Autonomous task groups	-0.065* (0.033)	0.030 (0.019)
Personnel equipped for future work	0.019 (0.023)	-0.032 (0.022)
<i>Market characteristics</i>		
<i>Sensitivity to business cycle</i>		
Slightly	-0.007 (0.033)	0.023 (0.017)

Continued on next page

Table B.11 – *Continued*

	1999	2001
Yes/Very much	-0.036 (0.028)	0.043 (0.032)
<i>Expectations for employment</i>		
Decrease	0.002 (0.042)	0.008 (0.032)
Increase	-0.004 (0.026)	0.009 (0.020)
<i>Model controls</i>	Included	
Constant	0.301*** (0.112)	0.212** (0.102)
Observations	188	183
Adjusted R^2	0.159	0.362

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Appendix C

Appendix - Chapter 4

C.1 Instructions experiment

Experimental Laboratory for Sociology and Economics

- Instructions -

Welcome to the experiment! Please read the following instructions carefully. These instructions are equal for all the participants. The instructions state everything you need to know in order to participate in the experiment. If you have any questions, please raise your hand. One of the experimenters will approach you in order to answer your question. Note that both your actions during the experiment, as well as the information provided in the questionnaire will be treated confidentially.

You can earn money by means of earning points during the experiment. The number of points that you earn depends on your own choices and the choices of other participants. At the end of the experiment, the total number of points that you earn during the experiment will be exchanged at an exchange rate of:

100 points = 1 Euro

The money you earn will be paid out in cash at the end of the experiment without other participants being able to see how much you earned. Further instructions on this will follow in due time. During the experiment you are not allowed to communicate with other participants. Turn off your mobile phone and put it in your bag. Also, you may only use the functions on the screen that are necessary to carry out the experiment. Thank you very much.

- Overview of the experiment -

The experiment consists of *one trial round* and *12 paid rounds*.

You will be *matched* with other randomly selected participants. Throughout the experiment you will play with the same participant(s). It will not be revealed with whom you were grouped during or after the experiment.

You can take on *two roles*, namely manager or works council (in Dutch: *ondernemingsraad*). The manager has to choose between a high price or a low price. Some of the managers will receive an advice from the works council of their firm whether to choose a high or a low price. The works council represents the interests of the employees as well as that of the managers.

In this experiment you will be randomly assigned to one of the two groups, Group A or Group B.

Group A: Works council

If you are in group A you are a representative of a works council, and you have to advise the manager of your firm on a price he or she has to decide upon. The manager can choose between a high and a low price. Choosing a high or a low price has several implications; for employment a high price is more beneficial, and for profit the benefits are mixed: a high price is only beneficial if the other manager also chooses a high price, otherwise your manager will make a loss. You can see the payoffs of the manager in Table C.2, your own payoffs are shown in Table C.1.

As a representative of the works council, you are expected to represent the employees as well as the management. The experiment consists of *12 rounds*. In each round, you give an advice to the manager, and the manager will take your advice into account or not. Your advice will be shown to two or more managers, with a maximum of four managers. You will advise the same managers throughout the experiment. Your possible payoffs are presented in Table C.2.

Choosing a price is very simple:

- For a *high price* you type in a 1;
- For a *low price* you type in a 2.

Table C.1: Payoff table Works council

YOUR MANAGER'S CHOICE	OTHER MANAGER'S CHOICE	
	High price	Low price
High price	(92.5, 92.5)	(57.5, 62.5)
Low price	(62.5, 57.5)	(67.5, 67.5)

Figure C.1 shows a screenshot of the choice you have to make.



Figure C.1: Screenshot of the input screen

From Table C.1 it can be seen that when the manager chooses a high price, and the other manager chooses a high price as well, you will receive a payoff of 92.5 points. Further, when the manager of your firm chooses a high price, while the other manager chooses a low price, you will earn 57.5 points. If your manager chooses a low price, while the other firm chooses a high price, you will earn 62.5. If both firms choose a low price, your payoff will be 67.5. Your payoff will depend on the number of managers you advise. Your payoff will be averaged over the choices of the managers.

Group B: Manager

If you are in group B you are a manager of a firm and you have to decide upon a price. You can choose between a high and a low price. Your payoff

depends on your choice as well as the other firm's choice. You will play against the same manager throughout the experiment. The experiment consists of 12 rounds. In each round, you have to decide upon a high or a low price. Your possible payoffs are presented in Table C.2.

Choosing a price is very simple:

- For a *high price* you type in a 1;
- For a *low price* you type in a 2.

Figure C.1 shows a screenshot of the choice you have to make.

Table C.2: Payoff table Manager

YOUR CHOICE	OTHER MANAGER'S CHOICE	
	High price	Low price
High price	(90, 90)	(0, 120)
Low price	(120, 0)	(70, 70)

From this table it can be seen that when you choose a high price and the other manager also chooses a high price, your payoff will be 90. When you choose a high price and the other firm chooses a low price, you will earn nothing, while the other firm will gain 120. If you choose a low price and the other firm chooses a high price, this will be the other way around. Finally, if both of you choose a low price, your payoff will be 70.

In this experiment half of the managers will receive advice from a works council and the other half will not. You will be informed before making your decisions whether you receive an advice or not. Furthermore, you will also be informed whether you face a manager who received advice from their works council or not. If you have a works council advising you, their payoffs depend on the choice you make.

- Questionnaire -

After the 12 rounds you will be asked to fill out a questionnaire. Please take your time to fill in this questionnaire accurately. In the mean time your earnings will be counted. Please remain seated until the payment has taken place.

- Your earnings -**Group A**

Your earnings will depend on the choice of the managers. According to the number of managers you will be advising, your payoffs will be averaged over the different managers. For example, you advise four managers (you give one advice, four managers will see your advice). Two of the managers you advised choose a low price and the managers they are facing also choose a low price. The other two managers you advised choose a high price and the managers they are facing also choose a high price. In that case your payoff will be two times the payoff for choosing a high price, two times payoff for choosing a low price: $92.5 + 92.5 + 67.5 + 67.5 = 320$, divided by 4 = 80.

These averages will be summed up over 12 rounds, and divided by 100. If we take the example from above, and assume the managers play the same strategy in every round, you will earn $80 \cdot 12 = 960$ points, is €9.60. Earnings will be rounded up to the nearest 20-cent mark.

Group B

Your earnings will depend on your choice as well as the choice of the other firm. Your payoffs in every round will be summed up over 12 rounds, and divided by 100. For example if you choose to play a high price throughout the experiment, and the other manager does so as well, you receive $90 \cdot 12 = 1080$ points, leading to earnings of €10.80. Earnings will be rounded up to the nearest 20-cent mark.

C.2 Graphs of interaction effects

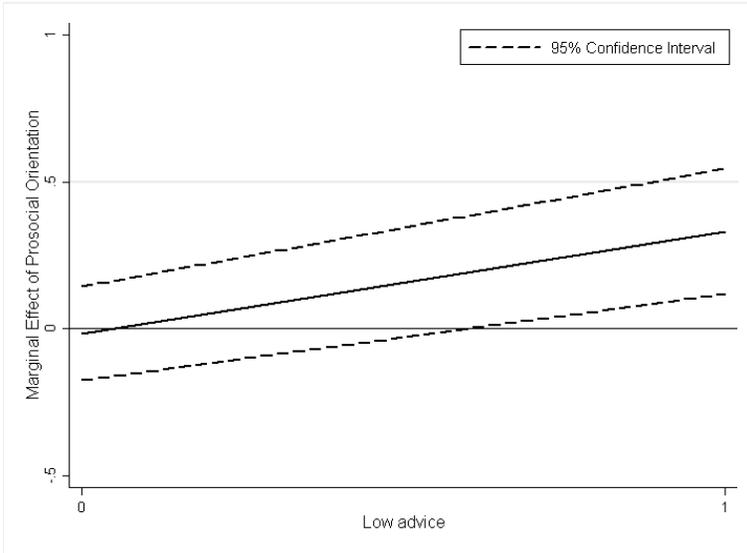


Figure C.2: Marginal effect of Prosocial Orientation if Low Advice Received - GEE Model

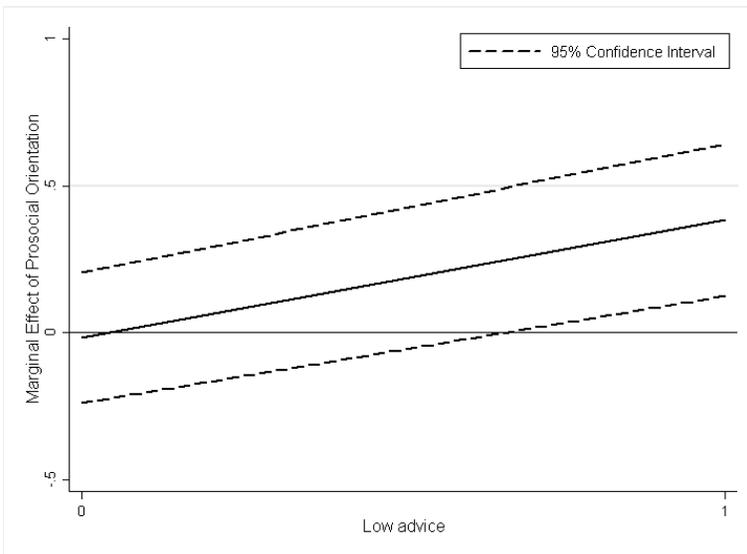


Figure C.3: Marginal effect of Prosocial Orientation if Low Advice Received - RE Model

Appendix D

Appendix - Chapter 5

D.1 Questionnaire*



Dear NAME,

This is the questionnaire that you have been informed about previously by email. The purpose of this questionnaire is to map the social network of your organization. It concerns a study in the context of my doctoral research at Utrecht University.

You have agreed to the use of your data for academic research and for a report of the results for the management of your organization. In this report, results will only be reported at the aggregate (departmental) level. Your name will not be mentioned in the results.

Completing the questionnaire will take about three quarters of an hour. Please fill out the questionnaire clearly, with a pen. I request you to fill out the questionnaire on your own and to not let yourself be influenced by colleagues. In the Appendix, some of the concepts from the questionnaire can be re-read.

*Translated from Dutch

For each completed questionnaire 5 euro will be transferred to a project of the Dutch Millennium Foundation for orphans in Kenya.

After completing the questionnaire you may return the enclosed envelope (no stamp required) before 30 June to:

Utrecht School of Economics
t.n.v. S. Sapulete
P.O. Box 51267
3501 WB Utrecht

If you have any questions please email s.sapulete@uu.nl or call 030-2537082.

Thank you in advance for your cooperation.

Best regards,

A handwritten signature in black ink, appearing to read 'S. Sapulete', enclosed within a hand-drawn oval border.

Sarai Sapulete
PhD candidate Utrecht School of Economics

You are requested to fill out the network question about influence for *all* colleagues.

Example

The person in the example below, for example, perceives person A to exert a lot of influence on colleagues, does not think that person C is influential, and does not know person B and D.

Name	Influence					I don't know	I don't know this person
	No	Hardly	Slightly	Much	Very much		
1. A				X			
2. B							X
3. C	X						
4. D							X

1.2 Questions about facts

These concern questions about facts, such as union membership.

Example

Are you member of a union?

Yes

No

1.3 Statements

In these questions, you are asked for your opinion. For example, to what extent do you agree with certain statements, or how satisfied are you about certain issues? The answer possibilities range from 1 to 5, for example:

1. Strongly disagree/Very unimportant/Very dissatisfied
2. Disagree/Unimportant/Dissatisfied
3. Agree nor disagree/Not important nor unimportant/Not satisfied nor dissatisfied
4. Agree/Important/Satisfied
5. Strongly agree/Very important/Very satisfied

Example

To what extent do you agree with the following statement?

			Strongly disagree		Strongly agree		
			1	2	3	4	5
1.	My job requires me to learn new things						

1.4 Division of points

In this question, you are asked to divide 100 points per section, about four statements regarding the organization.

Example

Dominant characteristics		
	<i>The organization...</i>	
A	is a very personal place. It is like an extended family. People seem to share a lot of themselves.	50
B	a very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.	20
C	is very results-oriented. A major concern is with getting the job done. People are very competitive and achievement-oriented.	20
D	is a very controlled and structured place. Formal procedures generally govern what people do.	10

Total points: 100

Good luck filling out the questionnaire!

2.3 Friendship

In this section, we are interested in the persons you have a *friendship* relation with. With a friendship relation we mean: a relation with people you also meet outside office hours. You for example know their families. We do not mean the colleagues you meet out of office hours at work related parties or events.

5. Could you please indicate in the table below which of the persons mentioned you have met outside office hours in the *past three months*?

Friendship

<i>Naam</i>	Daily	Weekly	Monthly
1. Name 1			
2. Name 2			
3. Name 3			
4. Name 4			
5. Name 5			
6. Name 6			
7. Name 7			
8. Name 8			
9. Name 9			
10. Etcetera			

2.7 Influence

In this section we are interested in the persons who are *influential* within your organization. It is often the case that some people are more influential than others. For example, think of people who have clear ideas about work related issues, who can communicate these ideas to others and in that way, influence the opinion of colleagues and/or management.

- 24. Could you please indicate for *all* of the persons in the table below to what extent they influence the daily routine of work issues, regarding **colleagues**? By this we mean to what extent the persons in your organization can influence **colleagues**. Question 25 concerns influence towards management.

Please tick one box in each row. In case you do not know the person, you can indicate this in the column "I don't know this person"

Influence colleagues

Name	Influence					I don't know	I don't know this person
	No	Hardly	Slightly	Much	Very much		
1. Name 1							
2. Name 2							
3. Name 3							
4. Name 4							
5. Name 5							
6. Name 6							
7. Name 7							
8. Name 8							
9. Name 9							
10. Etc.							

25. Could you please indicate for *all* of the persons in the table below to what extent they influence the daily routine of work issues, regarding **management**? By this we mean to what extent the persons in your organization can influence **management**.

Influence towards management

Name	Influence					I don't know	I don't know this person
	No	Hardly	Slightly	Much	Very much		
1. Name 1							
2. Name 2							
3. Name 3							
4. Name 4							
5. Name 5							
6. Name 6							
7. Name 7							
8. Name 8							
9. Name 9							
10. Etc.							

2.8 Influence on others

The following statements concern what people can do to gain more influence on the relation with colleagues and management, and to influence decisions and work in the team.

26. How likely is it that you would carry out one of the following to gain more influence?

<i>To gain more influence, I would...</i>		Very unlikely			Very likely	
		1	2	3	4	5
1.	Try to receive support from colleagues					
2.	Work hard					
3.	Invite colleagues outside office hours					
4.	Take decisions for colleagues					
5.	Know the 'right' people					
6.	Communicate much with colleagues and management					
7.	Try to receive support from people higher up in the organization					
8.	Use logical arguments to convince others of my position					
9.	Show interest in the private life of colleagues and management					
10.	Give colleagues or management compliments to have them do something for me					
11.	Stop or delay work until my request is granted					
12.	Sense at which moment and how you can best raise certain issues					
13.	Offer to do something for a colleague/manager, if they do something for me in return					
14.	Pressure colleagues or management by setting a deadline					
15.	Ask colleagues or management in a friendly way to do something for me					
16.	Attend meetings where influential people will be present					

3 Your employment contract and working conditions

In this section we are interested in your employment contract and working conditions.

27. How many years have you been working for this organization?

... years and ... months

28. Do you work overtime, meaning *on average* more hours than agreed upon in your contract?

- Yes, structurally (weekly)
 Yes, occasionally
 No, never (*proceed to question 31*)

29. How many hours *on average* do you work overtime per week?
(This concerns paid as well as unpaid overtime worked. Do not include travel time, but do include overtime worked at home)

... hours per week

30. Are your overtime hours paid?

- Yes, fully
 Yes, partly
 No

31. Are you in charge of people in your current function?
(Please also count subordinates of your subordinates)

- | | |
|--|---|
| <input type="checkbox"/> No | <input type="checkbox"/> Yes, of 20-29 employees |
| <input type="checkbox"/> Yes, of 1-4 employees | <input type="checkbox"/> Yes, of 30-39 employees |
| <input type="checkbox"/> Yes, of 5-9 employees | <input type="checkbox"/> Yes, of 40-49 employees |
| <input type="checkbox"/> Yes, of 10-19 employees | <input type="checkbox"/> Yes, of more than 50 employees |

32. To what extent do the following statements apply to your job?

		Strongly disagree			Strongly agree	
		1	2	3	4	5
1.	There is variation in my job					
2.	My job requires me to learn new things					
3.	My job requires creativity					
4.	I sometimes consider leaving for a different organization					

33. Are you planning on staying with this organization?

- Yes, for an indefinite period of time
- Yes, approximately ... year
- I don't know
- No

34. How often during *the past twelve months* have you been absent (sickness absence)? Please give an *estimation*.

... times

35. How many days during the *the past twelve months* have you been absent (sickness absence)? Please give an *estimation*.

... days

36. In which way is information exchanged within this organization? (Please tick the box for Yes, No or Don't know in each row)

- | | Yes | No | Don't know |
|---------------------|--------------------------|--------------------------|--------------------------|
| Via email | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Via intranet | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Via team meetings | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Via meeting minutes | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Other, namely... | | | |

37. Which leadership style is most characteristic for the management of your organization?

Please choose one of the options below

- The manager takes decisions and gives orders that need to be carried out, without consulting with employees
- The manager takes decisions based on consultation with all those involved and on shared competencies.
- The manager is minimally involved in decision making and gives much freedom to employees to take decisions themselves.
- Other, namely...

38. In this question we are interested in your organization’s culture. We have selected a number of topics that are related to culture. Could you divide 100 points *per topic* over the four different options, A, B, C, and D? Please give the most points to the statement that best fits your organization. You can choose yourself how you divide the 100 points per topic.

Dominant characteristics	
	<i>The organization is (a) very...</i>
A	personal place. It is like an extended family. People seem to share a lot of themselves.
B	dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.
C	results-oriented. A major concern is with getting the job done. People are very competitive and achievement-oriented.
D	controlled and structured place. Formal procedures generally govern what people do.

Points total: 100

Organizational leadership	
	<i>The leadership in the organization is generally considered to exemplify...</i>
A	mentoring, facilitating, or nurturing.
B	entrepreneurship, innovation, or risk taking.
C	a no-nonsense, aggressive, results-oriented focus.
D	coordinating, organizing, or smooth-running efficiency.

Points total: 100

Management of employees

	<i>The management style in the organization is characterized by...</i>	
A	teamwork, consensus, and participation.	
B	individual risk taking, innovation, freedom, and uniqueness.	
C	hard-driving competitiveness, high demands, and achievement.	
D	security of employment, conformity, predictability, and stability in relationships.	

*Points total: 100***Organization glue**

	<i>The glue that holds the organization together is...</i>	
A	loyalty and mutual trust. Commitment to this organization runs high.	
B	commitment to innovation and development. There is an emphasis on being on the cutting edge.	
C	the emphasis on achievement and goal accomplishment.	
D	formal rules and policies. Maintaining a smoothrunning organization is important.	

*Points total: 100***Strategic emphases**

	<i>The organization emphasizes...</i>	
A	human development. High trust, openness, and participation persist.	
B	acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.	
C	competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.	
D	permanence and stability. Efficiency, control, and smooth operations are important.	

*Points total: 100***Criteria of success**

	<i>The organization defines success on the basis of...</i>	
A	development of human resources, teamwork, employee commitment, and concern for people.	
B	having the most unique or newest products. It is a product leader and innovator.	
C	winning in the marketplace and outpacing the competition. Competitive market leadership is key.	
D	efficiency. Dependable delivery, smooth scheduling, and low-cost production are critical.	

Points total: 100

4 Labor conditions

In this section we are interested in the labor conditions in your organization, and how satisfied you are with these conditions.

39. How satisfied are you, all in all, about the following matters?

		Very unsatisfied			Very satisfied		N.A.
		1	2	3	4	5	
1.	Salary						
2.	Pension scheme						
3.	Travel allowance						
4.	Possibilities to compose labor conditions yourself						
5.	Performance appraisals						
6.	Promotion and career possibilities						
7.	Training and education possibilities						
8.	Possibilities to work part time						
9.	Flexible work hours						
10.	Work at home arrangements						
11.	Leave and holiday possibilities						
12.	Discussion possibilities						
13.	Work atmosphere						
14.	Collective labor agreement						

40. How important do you consider, all in all, the existence of the following institutions?

		Very unimportant			Very important		Don't know
		1	2	3	4	5	
1.	Unions						
2.	Employee representative body (such as a works council)						

41. Are you member of a union?

- Yes (go to question 42)
- No (go to question 44)

42. Of which union are you a member?

43. Are you a union activist at your union?

- Yes
- No

44. How satisfied are you, all in all, about the representation of your interests by the persons or parties below?

		Very unsatisfied		Very satisfied			Don't know / N.A.
		1	2	3	4	5	
1.	Human Resources (HR)						
2.	Your direct manager						
3.	The works council						
4.	The union						

45. How satisfied are you, all in all, with the following matters?

		Very unsatisfied		Very satisfied		
		1	2	3	4	5
1.	Your labor conditions					
2.	Your work					

5 Performance

In this section we are interested in your performance in the organization. We are interested in how you think others judge your performance, and how you judge your performance.

46. How do you think your overall work performance over *the past three months* is judged by the following persons?
(Compared to the performance of most other employees with a similar function).

		Much worse		Much better			Don't know/ N.A.	
		1	2	3	4	5		
1.	Yourself							
2.	Your manager							
3.	Your colleagues							

47. To what extent do you agree with the following statements?

		Strongly disagree		Strongly agree		
		1	2	3	4	5
1.	I feel connected to this organization					
2.	I perform well in my work					
3.	I enjoy my work					

6 Works council

In this section we are interested in the works council and how it functions and what you think of the performance of your fellow works council members.

48. How many years of experience do you have in codetermination?
Including your current works council work

... years and ... months

49. How much time do you spend *on average per week* on your works council work?

... hours per week

50. Does the works council have enough time to discuss all topics?

Absolutely insufficient		Absolutely sufficient		
1	2	3	4	5

51. How is your works council best typified?

- Assaying/monitoring
- Thinking with management/co-developing policy
- Both equally
- Neither, namely...

52. How would you describe the performance of the works council over the past year?

Very bad		Very good		
1	2	3	4	5

53. How does the works council communicate with the rank-and-file?

	Never	Sometimes	Often	Always
	1	2	3	4
1. The minutes of the meetings are published				
2. Via specific meetings organized by the works council for the personnel				
3. Via a works council consulting hour				
4. Works council members participate in work meetings/read reports of these meetings				
5. Via separate works council bulletins				
6. Via daily work contacts of works council members				
7. Via the annual report of the works council				

54. To what extent do you agree with the following statements?

		Strongly disagree			Strongly agree	
		1	2	3	4	5
1.	The works council informs employees well about its work					
2.	The works council is open to the opinion of the employees					
3.	The rank-and-file trusts the works council					
4.	The works council receives strong impulses from the rank-and-file					
5.	The works council is easy to reach if the rank-and-file wants to contact the works council about something					
6.	The works council influences management's decisions regarding social matters					
7.	The works council influences management's decisions regarding financial matters					

55. In the past year did the works council delay agreement on an intended decision, or delay an advice procedure?

- No
- Yes, occasionally
- Yes, several times

56. How do you judge the overall works council work of your fellow works council members over the past three months?
 (Compared to the performance of the other works council members)

		Much worse			Much better	
		1	2	3	4	5
1.	Name 1					
2.	Name 2					

57. How do you judge the overall performance of the administrative secretary of the works council over the past three months?

Very bad			Very good	
1	2	3	4	5

58. It is often the case that some people are more *influential* than others. Could you indicate who of the works council members you perceive as most influential in the works council work? Please place a number in front of the person, indicating in which position (1 or 2) you place this person. Note: it concerns **influence towards colleagues**. (1= *most important*, 2 = *least important*)

... Name 1

... Name 2

59. Could you indicate who of the works council members you perceive as most influential in the works council work? Note: it concerns **influence towards management** here.

... Name 1

... Name 2

7 Personal performance in works council

This section concerns how you think others will judge your performance, and how you yourself judge your performance. With the director we mean: the person with whom the works council has official meetings.

60. How do you think your works council work is judged over *the past three months* by the following persons?
(Compared to the performance of the other works council members)

		Much worse			Much better		Don't know/ N.A.
		1	2	3	4	5	
1.	yourself						
2.	the director						
3.	your fellow works council members						
4.	your rank-and-file						

61. To what extent do you agree on the following statements?

		Strongly disagree		Strongly agree		
		1	2	3	4	5
1.	I perform well in my works council work					
2.	I enjoy my works council work					

62. Would you put yourself up for election again at the next works council election?

- Yes (*go to question 63*)
 No (*go to question 64*)
 I don't know

63. What is the reason that you would potentially put yourself up for election the next time?

(Please choose the reason that is most important to you)

- Interesting work
 Change from daily work
 I find it important to represent the interests of my colleagues
 Lack of other interested people
 Build administrative experience
 Other, namely ...

64. What is the reason that you would potentially not put yourself up for election the next time?

(Please choose the reason that is most important to you)

- Have done it long enough
- Making room for other interested people
- Conflicts within the works council
- Conflicts with the director
- Conflicts with colleagues
- Costs too much time
- I think it is not good for my career
- The works council has a negative image to me
- I do not see the link between my daily work and the work of the works council
- My contract will end in the near future
- Other, namely ...

65. You have almost reached the end of this questionnaire. We would like to know which education you followed.

(Please mention your highest completed education and discipline; for example University Pedagogy).

66. We would appreciate knowing whether you missed issues in the questionnaire or whether you have comments or suggestions.

You have reached the end of this questionnaire. We thank you very much for filling it out!

Please put this questionnaire together with appendices in the enclosed envelope (stamp not needed) and send it to:

Utrecht School of Economics

S. Sapulete

Antwoordnummer 51267

3501 WB Utrecht

D.2 Descriptive statistics and correlation matrix for subsample

Table D.1: Descriptive statistics (without managers)

	Mean	SD	Min	Max
Influence on management	1.55	0.47	0.40	2.44
Influence on colleagues	1.76	0.49	0.46	2.65
Works council member	0.05	0.23	0	1
Betweenness communication	1.61	2.16	0	8.54
Closeness communication	1.06	0.14	0.77	1.52
Rationality	3.76	0.73	1	5
Upward appeal	2.75	0.91	1	5
Coalition	3.58	0.88	1	5
Ingratiation	2.85	0.84	1	4.33
Exchange	1.87	0.86	1	4
Assertiveness	2.00	0.92	1	4
Age	38.27	10.18	21	60
Salary scale	4.73	1.91	1	9
Performance	4.04	0.58	3	5
<i>N</i> = 55				

Table D.2: Correlation matrix (without managers)

	1	2	3	4	5	6	7
1. Influence on management							
2. Influence on colleagues	0.85***						
3. Works council member	0.20	0.11					
4. Betweenness communication	0.23*	0.27**	0.21				
5. Closeness communication	0.12	0.09	0.20	0.54***			
6. Rationality	0.23*	0.06	0.19	0.14	0.25*		
7. Upward appeal	0.11	-0.15	0.19	0.08	-0.01	0.51***	
8. Coalition	0.22	0.04	0.11	0.07	0.15	0.56***	0.50***
9. Ingratiation	0.06	0.06	0.14	0.30**	0.28**	0.31**	0.28**
10. Exchange	0.00	0.02	-0.06	0.12	0.19	0.03	0.13
11. Assertiveness	0.37***	0.32**	0.00	0.10	-0.05	0.27**	0.24*
12. Age	0.26*	0.25*	0.27**	0.41***	0.17	-0.01	0.00
13. Salary scale	0.55***	0.50***	0.03	-0.25*	-0.37***	0.02	0.17
14. Performance	0.16	0.01	-0.02	0.15	0.18	0.28**	0.36***
	8	9	10	11	12	13	
9. Ingratiation	0.32**						
10. Exchange	0.20	0.48***					
11. Assertiveness	0.16	0.37***	0.33**				
12. Age	0.03	-0.01	-0.18	-0.09			
13. Salary scale	0.18	-0.21	-0.06	0.30**	-0.02		
14. Performance	0.32**	0.15	-0.10	0.07	0.10	-0.16	
N = 55							

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

D.3 Robustness checks explaining Influence on colleagues and management

Table D.3: Explaining Influence on colleagues (OLS) - Robustness check

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Works council member	0.056 (0.289)	-0.055 (0.594)	6.383** (2.389)	-2.176*** (0.613)	-0.301 (0.489)	-1.452* (0.811)	-3.674* (1.922)
Betweenness communication	0.049* (0.026)	0.048* (0.027)	0.046* (0.026)	0.043 (0.026)	0.049* (0.027)	0.047* (0.026)	0.047* (0.026)
Closeness communication	0.228 (0.480)	0.224 (0.483)	0.326 (0.473)	0.287 (0.467)	0.246 (0.483)	0.308 (0.475)	0.308 (0.475)
Rationality	0.130* (0.074)	0.129* (0.075)	0.143* (0.073)	0.141* (0.073)	0.132* (0.075)	0.141* (0.074)	0.141* (0.074)
Upward appeal	-0.219*** (0.059)	-0.221*** (0.060)	-0.215*** (0.059)	-0.235*** (0.060)	-0.215*** (0.060)	-0.213*** (0.060)	-0.213*** (0.060)
Coalition	-0.058 (0.055)	-0.056 (0.057)	-0.083 (0.054)	-0.062 (0.052)	-0.065 (0.056)	-0.081 (0.054)	-0.081 (0.054)
Ingratiation	0.056 (0.056)	0.056 (0.057)	0.052 (0.056)	0.052 (0.056)	0.055 (0.056)	0.053 (0.056)	0.053 (0.056)
Exchange	0.052 (0.056)	0.054 (0.057)	0.046 (0.056)	0.058 (0.056)	0.049 (0.057)	0.046 (0.056)	0.046 (0.056)
Assertiveness	0.033 (0.052)	0.032 (0.052)	0.036 (0.052)	0.035 (0.052)	0.033 (0.052)	0.035 (0.052)	0.035 (0.052)
WC member*Betweenness		0.032 (0.125)					
WC member*Closeness			-5.396** (2.100)				
WC member*Upward				0.645*** (0.194)			
WC member*Exchange					0.210 (0.395)		
WC member*Coalition						0.370* (0.188)	
WC member*Ingratiation							1.111* (0.564)
Age	0.009* (0.005)	0.009* (0.005)	0.011** (0.005)	0.011** (0.005)	0.009* (0.005)	0.011** (0.005)	0.011** (0.005)
Salary scale	0.171*** (0.033)	0.171*** (0.033)	0.173*** (0.033)	0.172*** (0.033)	0.172*** (0.033)	0.173*** (0.033)	0.173*** (0.033)
Performance	0.136* (0.074)	0.136* (0.074)	0.132* (0.075)	0.139* (0.074)	0.134* (0.075)	0.132* (0.075)	0.132* (0.075)
Leadership	0.453** (0.192)	0.456** (0.196)	0.424** (0.196)	0.454** (0.193)	0.444** (0.196)	0.427** (0.196)	0.427** (0.196)
Constant	-0.271 (0.516)	-0.272 (0.522)	-0.401 (0.503)	-0.407 (0.511)	-0.284 (0.518)	-0.370 (0.505)	-0.370 (0.505)
Observations	66	66	66	66	66	66	66
Adjusted R ²	0.683	0.677	0.693	0.695	0.678	0.689	0.689

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table D.4: Explaining Influence on management (OLS) - Robustness check

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Works council member	0.136 (0.329)	0.442 (0.685)	9.256*** (1.664)	-1.733* (0.961)	-0.922* (0.480)	-2.232*** (0.640)	-5.718*** (1.488)
Betweenness communication	0.036* (0.019)	0.038* (0.019)	0.033* (0.018)	0.032* (0.019)	0.037* (0.019)	0.034* (0.018)	0.034* (0.018)
Closeness communication	0.538 (0.379)	0.551 (0.381)	0.679* (0.359)	0.588 (0.369)	0.591 (0.373)	0.665* (0.361)	0.665* (0.361)
Rationality	0.148** (0.060)	0.149** (0.061)	0.168*** (0.061)	0.158** (0.060)	0.154** (0.060)	0.165*** (0.060)	0.165*** (0.060)
Upward appeal	-0.096 (0.060)	-0.089 (0.062)	-0.091 (0.061)	-0.110* (0.062)	-0.084 (0.062)	-0.087 (0.061)	-0.087 (0.061)
Coalition	-0.061 (0.054)	-0.068 (0.054)	-0.097* (0.050)	-0.065 (0.053)	-0.081 (0.052)	-0.096* (0.051)	-0.096* (0.051)
Ingratiation	0.026 (0.054)	0.026 (0.055)	0.022 (0.054)	0.024 (0.054)	0.025 (0.054)	0.022 (0.054)	0.022 (0.054)
Exchange	0.024 (0.058)	0.020 (0.059)	0.015 (0.057)	0.029 (0.058)	0.015 (0.059)	0.014 (0.058)	0.014 (0.058)
Assertiveness	0.039 (0.052)	0.039 (0.052)	0.044 (0.051)	0.041 (0.052)	0.041 (0.052)	0.044 (0.052)	0.044 (0.052)
WC member*Betweenness		-0.090 (0.143)					
WC member*Closeness			-7.777*** (1.476)				
WC member*Upward				0.540* (0.320)			
WC member*Exchange					0.621 (0.394)		
WC member*Coalition						0.581*** (0.144)	
WC member*Ingratiation							1.743*** (0.431)
Age	0.008 (0.005)	0.008 (0.005)	0.011** (0.005)	0.010* (0.005)	0.009* (0.005)	0.010** (0.005)	0.010** (0.005)
Salary scale	0.168*** (0.028)	0.168*** (0.028)	0.171*** (0.028)	0.168*** (0.028)	0.169*** (0.028)	0.170*** (0.028)	0.170*** (0.028)
Performance	0.166** (0.064)	0.163** (0.064)	0.161** (0.068)	0.168** (0.066)	0.161** (0.065)	0.160** (0.067)	0.160** (0.067)
Leadership	0.652*** (0.181)	0.643*** (0.183)	0.612*** (0.182)	0.654*** (0.182)	0.627*** (0.183)	0.612*** (0.182)	0.612*** (0.182)
Constant	-1.125** (0.467)	-1.122** (0.471)	-1.312*** (0.447)	-1.239*** (0.456)	-1.164** (0.461)	-1.280*** (0.448)	-1.280*** (0.448)
Observations	66	66	66	66	66	66	66
Adjusted R ²	0.764	0.762	0.786	0.770	0.769	0.783	0.783

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table D.5: Explaining Influence on colleagues (without managers) (OLS) - Robustness check

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Works council member	0.073 (0.283)	0.024 (0.593)	6.588*** (2.244)	-2.096*** (0.741)	-0.370 (0.482)	-1.506* (0.759)	-3.826** (1.797)
Betweenness communication	0.065 (0.041)	0.065 (0.042)	0.062 (0.040)	0.053 (0.042)	0.067 (0.041)	0.064 (0.040)	0.064 (0.040)
Closeness communication	0.259 (0.532)	0.257 (0.535)	0.372 (0.525)	0.317 (0.515)	0.286 (0.535)	0.354 (0.528)	0.354 (0.528)
Rationality	0.105 (0.087)	0.105 (0.088)	0.124 (0.086)	0.123 (0.086)	0.107 (0.088)	0.120 (0.087)	0.120 (0.087)
Upward appeal	-0.245*** (0.068)	-0.247*** (0.069)	-0.241*** (0.068)	-0.265*** (0.069)	-0.239*** (0.069)	-0.238*** (0.068)	-0.238*** (0.068)
Coalition	-0.065 (0.070)	-0.063 (0.072)	-0.101 (0.068)	-0.075 (0.068)	-0.075 (0.071)	-0.096 (0.069)	-0.096 (0.069)
Ingratiation	0.073 (0.064)	0.073 (0.065)	0.071 (0.064)	0.073 (0.064)	0.072 (0.065)	0.071 (0.064)	0.071 (0.064)
Exchange	0.026 (0.069)	0.027 (0.071)	0.026 (0.068)	0.042 (0.070)	0.022 (0.070)	0.024 (0.068)	0.024 (0.068)
Assertiveness	0.053 (0.062)	0.053 (0.063)	0.055 (0.063)	0.054 (0.063)	0.053 (0.063)	0.054 (0.063)	0.054 (0.063)
WC member*Betweenness		0.015 (0.126)					
WC member*Closeness			-5.558*** (1.968)				
WC member*Upward				0.628** (0.232)			
WC member*Exchange					0.259 (0.383)		
WC member*Coalition						0.387** (0.176)	
WC member*Ingratiation							1.160** (0.528)
Age	0.006 (0.006)	0.006 (0.006)	0.009 (0.006)	0.009 (0.006)	0.007 (0.006)	0.008 (0.006)	0.008 (0.006)
Salary scale	0.185*** (0.034)	0.185*** (0.035)	0.190*** (0.033)	0.187*** (0.034)	0.187*** (0.034)	0.190*** (0.034)	0.190*** (0.034)
Performance	0.162* (0.090)	0.162* (0.091)	0.165* (0.090)	0.173* (0.089)	0.160* (0.091)	0.163* (0.091)	0.163* (0.091)
Constant	-0.245 (0.554)	-0.247 (0.563)	-0.439 (0.519)	-0.461 (0.550)	-0.263 (0.550)	-0.391 (0.523)	-0.391 (0.523)
Observations	55	55	55	55	55	55	55
Adjusted R ²	0.480	0.468	0.501	0.500	0.472	0.493	0.493

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table D.6: Explaining Influence on management (without managers) (OLS) - Robustness check

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Works council member	0.170 (0.314)	0.449 (0.664)	8.909*** (1.736)	-1.714* (1.006)	-0.828* (0.478)	-2.091*** (0.635)	-5.414*** (1.484)
Betweenness communication	0.039 (0.030)	0.042 (0.031)	0.035 (0.029)	0.029 (0.031)	0.043 (0.030)	0.037 (0.029)	0.037 (0.029)
Closeness communication	0.527 (0.407)	0.542 (0.410)	0.678* (0.383)	0.577 (0.396)	0.586 (0.401)	0.663* (0.386)	0.663* (0.386)
Rationality	0.102 (0.068)	0.102 (0.068)	0.128* (0.071)	0.118 (0.072)	0.108 (0.067)	0.123* (0.069)	0.123* (0.069)
Upward appeal	-0.115* (0.067)	-0.107 (0.070)	-0.109 (0.068)	-0.131* (0.070)	-0.101 (0.070)	-0.105 (0.069)	-0.105 (0.069)
Coalition	-0.019 (0.074)	-0.026 (0.074)	-0.067 (0.070)	-0.027 (0.073)	-0.042 (0.071)	-0.064 (0.069)	-0.064 (0.069)
Ingratiation	0.014 (0.064)	0.013 (0.065)	0.011 (0.065)	0.014 (0.064)	0.012 (0.065)	0.011 (0.065)	0.011 (0.065)
Exchange	0.004 (0.084)	-0.001 (0.086)	0.004 (0.083)	0.018 (0.085)	-0.005 (0.085)	0.000 (0.083)	0.000 (0.083)
Assertiveness	0.078 (0.069)	0.078 (0.070)	0.081 (0.069)	0.080 (0.069)	0.079 (0.070)	0.080 (0.069)	0.080 (0.069)
WC member*Betweenness		-0.082 (0.140)					
WC member*Closeness			-7.456*** (1.531)				
WC member*Upward				0.545 (0.326)			
WC member*Exchange					0.584 (0.384)		
WC member*Coalition						0.554*** (0.144)	
WC member*Ingratiation							1.662*** (0.431)
Age	0.007 (0.006)	0.007 (0.006)	0.010 (0.006)	0.009 (0.007)	0.007 (0.006)	0.009 (0.006)	0.009 (0.006)
Salary scale	0.169*** (0.031)	0.170*** (0.031)	0.175*** (0.030)	0.170*** (0.031)	0.172*** (0.030)	0.175*** (0.030)	0.175*** (0.030)
Performance	0.186** (0.077)	0.184** (0.078)	0.190** (0.081)	0.196** (0.080)	0.183** (0.078)	0.188** (0.080)	0.188** (0.080)
Constant	-1.097** (0.518)	-1.086** (0.524)	-1.358*** (0.474)	-1.285** (0.510)	-1.137** (0.503)	-1.307*** (0.474)	-1.307*** (0.474)
Observations	55	55	55	55	55	55	55
Adjusted R ²	0.475	0.467	0.527	0.489	0.484	0.519	0.519

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

D.4 Graph of interaction effect

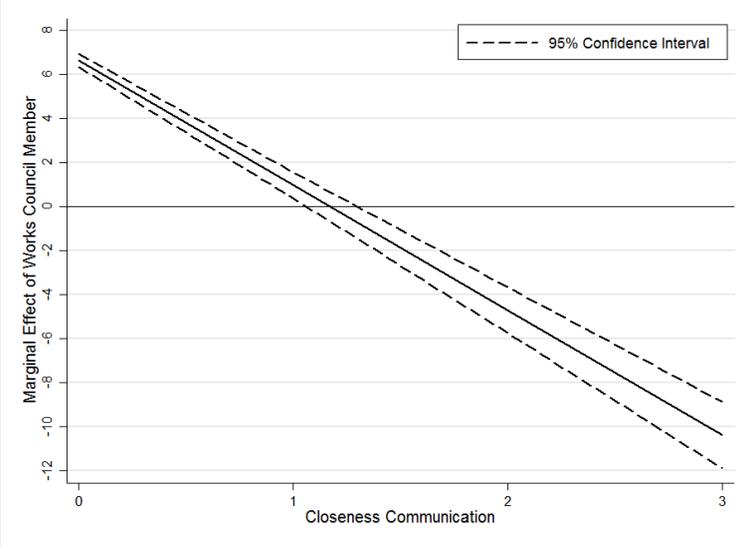


Figure D.1: Marginal effect of Works Council Member and Closeness Communication

Appendix E

Appendix - Chapter 6

E.1 Interview protocol*

1 Introduction

This document is the guide for the case study research for my PhD thesis.

1.1 Important terms

Explanation of the important terms that are used in this document:

- **Organization:** Enterprise or establishment that is being represented by the interviewees ((former) works council members, employees and directors).
- **Reorganization:** Organizational change in the past, for which external advice has been requested.

1.2 Objectives of the case studies

1. Gaining more insights into the influence of works councils in reorganization processes.
2. Gaining more insights into the factors that affect this influence.
3. Comparing the influence of works councils in different types of organizations.

*Translated from Dutch

1.3 The structure of the interview

The interview consists of semi-structured questions, which are formulated below. The logical structure of the interview is as follows:

1. What do you do?
2. How does the works council work?
3. How and with whom does the works council communicate?
4. What is the role of the works council in the context of reorganizations?
5. How does the works council influence the organizational outcomes?

1.4 Ethical considerations

We emphasize that all reports following from the interviews will be anonymous. We will ask for feedback from the respondents regarding a summary of the interview that they will all receive. Furthermore, individual information, such as citations and other information that could reveal the identity of the respondents, will only be used if the respondents give permission. Preferably, we want to make audio recordings of the interviews. If the respondent does not agree to this, we need to base our interpretations on our notes. Obviously, we will ask permission to make audio recordings, and we will do so before the start of the interview and before the start of the recordings.

1.5 Question in advance

1. What does this organization do?
2. What is your position in the organization?
3. How long have you been working at this organization?
4. Have you worked at other organizations before?
5. How long are you a member of the works council?
6. What is your role in the works council?
7. What kind of education did you follow?

2 Interview questions

2.1 General

1. How does the consultation take place within your organization?
2. What is the role of the works council in the consultation within your organization?
3. How often does the works council meet?
4. How often does the works council meet with the director?
5. How does the works council prepare meetings with the director?
6. What is the goal of the works council to you?
7. Are you satisfied with how the works council works?
8. How does the works council deal with its dual task?

2.2 Communication

Within works council

1. Which topics are discussed in the works council?
2. How is the cooperation within the works council?

Management

1. How does the works council communicate with management (via which channels)?
2. Do you think that you cooperate with management?
3. Are you satisfied with the interactions of management and works council?
4. Can you describe the director?
5. What is the attitude of the director towards the works council?
6. Is the contact with management mostly formal or informal?

Employees

1. How does the works council communicate with the employees (via which channels)?
2. Is the contact with the employees mostly formal or informal?
3. Do you receive reactions from the employees?
4. Do you try to individually communicate much to gain more attention for your works council work?
5. With whom do you have contact, next to management and employees? Supervisory board? Unions? Advisors?
6. How high is the union density in this organization?

Way of communicating

1. Do you think that the works council fulfills a bridge position between employees and management?
2. How do you personally try to influence decision-making?
3. Do you try to receive support from your colleagues at the workforce?
4. Do you try to gain influence by means of rational argumentation?
5. Does the works council sometimes try to obstruct processes to achieve certain things?
6. Do you think the influence of the works council is mainly dependent on individuals or the group as a whole?

2.3 Context**Specific reorganization**

1. Please keep in mind the reorganization. Could you please briefly describe it?
2. What was the role of the works council in this reorganization?
3. Did the reorganization go well according to you?
4. Are you satisfied with the outcomes of the reorganization?

5. Do you have the feeling that you participated enough in the decision-making during the reorganization?
6. Were you able to perform you dual task properly? (taking into account employees' as well as organizational interests)
7. Do you have the feeling that you had to represent conflicting interests?
8. Was the works council able to prevent layoffs?
9. Was the works council able to prevent voluntary quits?

2.4 Organizational outcomes

1. Did the works council influence the policies of the organization during the reorganization?
2. Did the works council influence the policies of the organization out of the reorganization?
3. In which sense does the role of the works council change in times of reorganization compared to the role in normal times?
4. Do you think the works council influences labor turnover?
5. How does the works council influence this?
6. Do they influence layoffs? Voluntary quits? Hires?
7. Is this influence different in times of reorganizations?
8. Do you think the works council influences productivity of employees?
9. How does the works council influence this?
10. Is this influence different in times of reorganizations?

E.2 List of Codes

1. Description management team
 - 1A Management during reorganization
 - 1A1 Attitude towards:
 - 1A1a Consultation/works council
 - 1A1b Labor union
 - 1A2 Cooperation with works council
 - 1A3 Conflict with works council
 - 1B Management now
 - 1B1 Attitude towards:
 - 1B1a Consultation/works council
 - 1B1b Labor union
 - 1B2 Cooperation with works council
 - 1B3 Conflict with works council
 - 1C Other
2. Communication
 - 2A Works council - employees
 - 2A1 Formal/informal
 - 2A2 Confidentiality requirement
 - 2A3 Satisfaction with communication
 - 2B Works council - management
 - 2B1 Formal/informal
 - 2B2 Provision of information by management
 - 2B3 Satisfaction with communication
 - 2C Works council internal (including internal cooperation)
 - 2D Works council - labor unions
 - 2E Works council - other
 - 2F Bridge position works council between management and employees
 - 2G Management - employees
 - 2H Management - unions
 - 2I Management - top management
 - 2J Other

3. Organization
 - 3A Facts
 - 3B Perception
 - 3B1 Opinion about director
 - 3C Union density
 - 3D Consultation (general)
 - 3E Operating in international context (MNE)
 - 3F Other
4. Goal works council
 - 4A Dual task
 - 4B Satisfaction with works council (opinion)
 - 4C Other
5. Organization works council
 - 5A Structure of works council
 - 5A1 Reflection of workforce
 - 5A2 Sub committees
 - 5A3 Central/European works council
 - 5B Why in works council (motivation)
 - 5C Meetings
 - 5C1 Topics
 - 5C2 Atmosphere
 - 5C3 Preparation
 - 5D Training
 - 5E Time allocation/tasks
 - 5F Labor union
 - 5F1 Works council members/union activists and union division in works council
 - 5G Works Council Act
 - 5H History works council/development
 - 5I Influence of works council due to individuals or group
 - 5J Other

6. Outcomes
 - 6A Strategy and influence on policies during reorganization
 - 6B Strategy and influence on policies before/after reorganization
 - 6C Influence on labor turnover
 - 6C1 Influence on labor turnover during reorganization
 - 6C2 Influence on labor turnover before/after reorganization
 - 6D Influence on productivity
 - 6E Other
7. Description of reorganization process
 - 7A Participation in decision-making during reorganization
 - 7B Provision of information by management during reorganization
 - 7C External advisor (actions)
 - 7C1 Attitude and opinions works council
 - 7C2 Attitude and opinions management during reorganization
 - 7C3 Attitude and opinions management before/after reorganization
 - 7D Role of works council
 - 7D1 Time allocation
 - 7D2 Confidentiality requirement
 - 7E Outcomes
 - 7E1 Opinion about outcomes
 - 7F Advice given by works council
 - 7G Perception employees
 - 7H Role of labor union
 - 7I Approach of management and build-up to the request for advice
8. General characteristics of the respondents
 - 8A Education
 - 8B Age
 - 8C Tenure in works council
 - 8D Role in works council

- 8E Tenure in organization
- 8F Function in organization
- 8G Work experience
- 8H Experiences in works council
- 8I Tenure in management team
- 8J Other

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Nederlandse samenvatting

Werknemersparticipatie in de besluitvorming van management heeft de afgelopen jaren in toenemende mate aandacht gekregen in de wetenschappelijke literatuur, vanwege het breed gedragen inzicht dat het voordelige effecten met zich mee kan brengen, voor zowel de werknemer als de organisatie. Werknemersparticipatie kan op verschillende manieren worden ingevuld, bijvoorbeeld door individuele participatie, werken in teams, of winstdeling. In dit proefschrift kijken we naar formele participatie middels ondernemingsraden. We richten ons op Nederlandse ondernemingsraden en proberen meer inzicht te krijgen in de effectiviteit van ondernemingsraden binnen organisaties. We doen dit op twee manieren: ten eerste door te kijken naar de organisatie-effecten die de aanwezigheid van ondernemingsraden met zich meebrengt (uitkomsten) en ten tweede door te onderzoeken welke factoren er ten grondslag liggen aan de invloed van ondernemingsraden binnen organisaties (determinanten).

Veel onderzoek naar ondernemingsraden is gebaseerd op de Duitse variant; Duitsland wordt vaak als koploper gezien als het gaat om succesvolle arbeidsverhoudingen. Recentelijk hebben ook Nederlandse ondernemingsraden meer aandacht gekregen in de economische wetenschappelijke literatuur (zie bijvoorbeeld Van den Berg et al., 2011a; Wigboldus, 2011). Ondernemingsraden hebben in Nederland een aantal verregaande rechten, zoals vastgelegd in de Wet op de Ondernemingsraden, verschenen in 1950 (WOR (Albers en Hofstee, 2011)).

Organisaties die meer dan 50 werknemers in dienst hebben, moeten een ondernemingsraad (OR) instellen. De OR heeft het recht om geïnformeerd te worden omtrent een breed scala aan zaken in de organisatie, zodat de OR zijn taak goed kan uitvoeren. De OR heeft daarnaast het recht om de bestuurder te adviseren omtrent zaken die spelen in de organisatie. Deze zaken hoeven niet direct van invloed te zijn op de medewerkers en omvatten dus ook financiële zaken, zoals investeringen (Van het Kaar, 2008). Een derde recht van de OR is het initiatiefrecht, dat de OR kan gebruiken om initiatieven aan te dragen aan het management, zoals ideeën voor verbetering. Het laatste recht is het instemmingsrecht, vaak bestem-

peld als het belangrijkste recht van OR-en. Dit recht schrijft voor dat de bestuurder beslissingen inzake bepaalde onderwerpen (meest van sociale aard), niet mag uitvoeren zonder instemming van de OR. De OR heeft als taak zowel de belangen van de medewerkers te vertegenwoordigen, alsook de belangen van de organisatie als geheel. Dit staat bekend als de duale taak van de OR.

Theorie

De meest bekende theorie over de economische effecten van OR-en is die van Freeman en Lazear (1995). Deze theorie gaat in op de economische effecten die OR-en in organisaties kunnen bewerkstelligen door middel van hun wettelijke rechten. Informatierechten kunnen bijvoorbeeld leiden tot meer vertrouwen tussen bestuurder en OR. De informatie van het management kan door de OR getest worden en gecommuniceerd worden naar de werkvloer. Medewerkers worden op deze manier geïnformeerd over zaken die spelen in de organisatie. OR-en kunnen ideeën voor verbetering aandragen, doordat zij informatie van de werkvloer naar het management communiceren en andersom (Addison, 2009). Als medewerkers het idee hebben dat ze meer te zeggen hebben over hun werkomstandigheden, kan dit de motivatie ten goede komen en daarmee de prestaties van de organisaties. Doordat medewerkers zich serieus genomen voelen, zullen ze wellicht meer het doel van de organisatie nastreven, in plaats van (of naast) hun persoonlijke doel.

OR-en kunnen bijdragen aan het verlagen van transactiekosten (Williamson, 1985). Dit wordt in meer detail uitgelegd door Van den Berg (2004), die beschrijft hoe OR-en transactiekosten kunnen verlagen die veroorzaakt worden door het bestaan van incomplete contracten. Een arbeidscontract is incompleet, omdat niet alles expliciet kan worden gemaakt, er is dus sprake van impliciete afspraken. Deze contracten worden dus gekenmerkt door asymmetrische informatie, wat kan leiden tot liftersgedrag van medewerkers: als het management niet goed kan controleren wat een werknemer doet, kan de werknemer besluiten zich minder hard in te zetten, zonder dat dit opgemerkt wordt door het management. Andersom kan het management zijn eigen doelen nastreven en niet alle informatie delen met medewerkers.

Daarnaast kan er een zogenaamd hold-up probleem ontstaan, waarin medewerkers niet bereid zijn te investeren in vaardigheden die zij slechts kunnen gebruiken bij de organisatie waarin zij werkzaam zijn. Als medewerkers meer inspraak krijgen over hun werk, zou dit hold-up risico verkleind kunnen worden, zodat medewerkers meer gemotiveerd zijn om de

belangen van de organisatie na te streven (Van den Berg, 2004; Addison, 2009). Hierdoor kan de productiviteit in organisaties positief beïnvloed worden.

Ook kunnen OR-en personeelsverloop beïnvloeden, door bijvoorbeeld problemen op de werkvloer kenbaar te maken aan de bestuurder, voordat medewerkers besluiten te stoppen. Dit is gebaseerd op de exit-voice theorie (Hirschman, 1970), die toegepast is op vakbonden door Freeman en Medoff (1984). In de vakbondcontext suggereert de theorie dat medewerkers twee opties hebben als ze zich in een onbevredigende situatie bevinden: ontslag nemen (exit) of hun onvrede uiten (voice). Dit laatste werkt het beste via een collectief orgaan, omdat het voor individuele werknemers gevaren met zich meebrengt om onvrede direct te uiten (zoals een negatief effect op de reputatie van de betreffende medewerker). Een OR zou hier dus een goede rol kunnen spelen.

Negatieve effecten van OR-en worden toegeschreven aan opportunistisch gedrag door de OR; bij te veel macht kan de OR meer loon gaan vragen, zodat de eventuele verhoogde productiviteit de organisatie niet ten goede komt (Freeman en Lazear, 1995). In Nederland hebben OR-en echter niet het recht om te onderhandelen over salarissen en dus lijkt dit effect hier niet op te gaan voor de OR (Van den Berg, 2004). Daarnaast heeft de (Nederlandse) OR een duale taak en zou hij dus niet (alleen) hogere salarissen moeten nastreven, als dit ten koste zou gaan van organisatieresultaten.

Overige kosten van de OR worden beschreven door Kaufman en Levine (2000), die een onderscheid maken tussen directe en indirecte kosten. Directe kosten zijn kosten die komen kijken bij het trainen van OR-leden, de werkuren die zij besteden aan hun OR-werk en het inhuren van externe adviseurs door de OR. Indirecte kosten zijn toe te schrijven aan vertraagde besluitvorming of het gebrek aan kennis om op strategisch niveau mee te praten met het management. Ook een gang naar de rechtbank kan veel geld kosten (Van den Berg et al., 2011b).

Het effect van OR-en op organisatieresultaten

Tot op heden heeft de economische literatuur nog geen eenduidige effecten van OR-en op ondernemingsprestaties kunnen vaststellen. Er is dus behoefte aan meer empirisch onderzoek (Addison, 2009). Daarnaast is er meer behoefte aan onderzoek naar de sociale context waarin OR-en opereren (Kotthoff, 1994; Frege, 2002): wat is de kwaliteit van de OR en hoe zijn de arbeidsrelaties binnen de organisatie? In dit proefschrift hebben we geprobeerd aan beide behoeften tegemoet te komen, door economi-

sche en gedragstheorieën te gebruiken om meer inzicht te krijgen in OR-en en hun functioneren in organisaties. We gebruiken verschillende methoden om onze verwachtingen te testen, zoals kwantitatief econometrisch onderzoek, experimenteel economisch onderzoek, sociale netwerkanalyse en kwalitatief onderzoek.

In Hoofdstuk 2 hebben we gekeken of de positieve effecten van OR-aanwezigheid op productiviteit, zoals aangetoond in de Duitse onderzoeken, ook voor Nederland gelden. In Hoofdstuk 2 stelden we daarom de onderzoeksvraag of OR-en kunnen bijdragen aan productiviteit en of dit effect standhoudt in tijden van reorganisatie. Deze context stelde ons in staat te onderzoeken of OR-en verschillend handelen in goede en slechte tijden. We verwachtten dat OR-en negatieve effecten van reorganisaties zouden kunnen verminderen en medewerkers zouden kunnen motiveren om de productiviteit niet te laten zakken.

De aanwezigheid van een OR was positief gerelateerd aan productiviteit. Ook het voorkomen van reorganisaties vertoonde een positieve relatie met productiviteit. De interactie-effecten die we verwachtten, werden alleen gevonden in kleine organisaties (minder dan 50 werknemers). OR-en hebben een positief effect op productiviteit in tijden van reorganisaties zonder ontslagen. Echter, in tijden van reorganisaties met ontslagen, heeft de aanwezigheid van een OR een negatief effect op productiviteit.

In het geval van reorganisaties zonder ontslagen kunnen OR-en acceptatie voor de reorganisatie creëren onder de medewerkers en uitleg geven, zodat medewerkers de noodzaak van reorganisaties begrijpen. In het tweede geval kan het zo zijn dat ontslagen een signaal afgeven dat de OR zijn best niet heeft gedaan om nadelige uitkomsten voor het personeel te voorkomen en dat hij de kant van het management heeft gekozen. Dit kan contraproductief werken en dus zorgen voor negatieve effecten op de productiviteit.

In Hoofdstuk 3 hebben we tevens support gevonden voor verschillend handelen van de OR in goede en slechte economische omstandigheden. Onze onderzoeksvraag in dit hoofdstuk was of OR-en invloed konden uitoefenen op personeelsverloop, in goede en slechte tijden. Om deze vraag te beantwoorden hebben we gekeken naar vrijwillig vertrek, onvrijwillig vertrek (ontslag) en het aannemen van medewerkers. In goede tijden heeft de aanwezigheid van een OR geen effect op vrijwillig vertrek, maar in slechtere economische tijden wel. In slechte tijden zijn er namelijk minder medewerkers die vrijwillig vertrekken. Dit bevestigt bevindingen uit Duits onderzoek (e.g., Backes-Gellner et al., 1997; Doellgast, 2008).

In goede economische tijden zijn er meer ontslagen in organisaties waar OR-en aanwezig zijn, terwijl er juist minder ontslagen worden gerapporteerd in slechte economische tijden. De duale taak van OR-en kan

ervoor zorgen dat de OR-en een meer beschermende rol aannemen in slechte economische tijden, omdat het dan lastiger is voor medewerkers om weer opnieuw aan het werk te komen. In goede tijden zullen OR-en echter meer in het belang van de organisatie handelen.

Voor het aannemen van nieuw personeel is de duale taak wederom van belang. Duits onderzoek wijst uit dat het aannemen van nieuw personeel tegengehouden wordt door OR-en, omdat ze de mensen in de organisatie ("insiders") willen beschermen (Addison et al., 2001; Dilger, 2002). Wij verwachtten echter dat dit effect in Nederland slechts in slechte tijden zou plaatsvinden. In tijden van economische bloei, zou de OR juist in het organisatiebelang handelen en voorstander zijn van nieuw personeel. In goede tijden werden er inderdaad meer mensen aangenomen, terwijl er geen effecten werden gevonden in slechtere economische tijden.

Hoofdstuk 2 en 3 zijn gebaseerd op data op organisatieniveau. Echter, de enige maatstaf om OR-invloed op organisatie-uitkomsten te onderzoeken in deze hoofdstukken, was een dichotome variabele over de aanwezigheid van een OR (ja of nee). Deze variabele vertelt ons weinig over de processen die ten grondslag liggen aan de gevonden effecten. Daarom hebben we ons in de hoofdstukken 4 tot en met 6 gericht op de factoren die bepalen hoe OR-en invloed uitoefenen binnen organisaties.

Determinanten van OR-invloed

In Hoofdstuk 4 hebben we een experiment gedaan om meer inzicht te krijgen in de fundamentele processen die ten grondslag liggen aan advies gegeven door de OR. Onze onderzoeksvraag was of OR-advies opgevolgd werd door bestuurders en welke factoren hierop van invloed waren. We hebben een experiment in een laboratorium gedaan, waarin we studenten gevraagd hebben de rol te spelen van bestuurders en OR-leden. De bestuurders moesten een prijs kiezen voor de producten die de organisatie aanbood, namelijk een hoge of lage prijs. Zij konden daarin geadviseerd worden door de OR (wederom hoog of laag) en speelden tegen een andere bestuurder. Het Nash-evenwicht (de situatie waarin het voor de spelers niet voordelig is een andere keuze te maken als de andere spelers dat niet ook doen) werd gevormd door de situatie waarin beide bestuurders een lage prijs kozen.

De bestuurders kozen vaker voor een lage prijs als ze dat advies hadden gekregen, maar niet voor een hoge prijs bij een advies voor een hoge prijs. Als de doelen van de organisatie minder in lijn zijn met die van de OR, zal de bestuurder wellicht minder snel kiezen zijn advies te volgen en dus voor een hoge prijs te gaan. Een interactie-effect tussen het type

bestuurder (mate van prosocialiteit) en het gegeven advies, wees uit dat meer prosociale bestuurders vaker een hoge prijs kiezen, zelfs als ze het advies krijgen om een lage prijs te kiezen. Dit suggereert dat de houding van de bestuurder tegenover de OR een belangrijke rol speelt.

In Hoofdstuk 5 richtten we ons meer op de individuele OR-leden, omdat de invloed van de OR mede afhankelijk is van de invloed van de individuele leden die in de OR zitten. In dit hoofdstuk hebben we daarom gekeken naar de structurele- en gedragsfactoren die een effect hebben op de invloed van OR-leden binnen een organisatie. We hebben alle medewerkers van een non-profit organisatie gevraagd een vragenlijst in te vullen met vragen over hun netwerkcontacten (om de structurele sociale netwerkpositie te achterhalen), de invloedtactieken die zij zouden gebruiken (om de gedragsfactoren te meten) en de invloed (op management en collega's) die zij anderen toedichten. Onze onderzoeksvraag was of OR-leden meer invloedrijk waren dan andere leden in de organisatie, en of de invloed verkregen werd door de sociale netwerkpositie en gebruikte invloedtactieken.

De positie in het netwerk was niet significant voor OR-leden. Invloedtactieken daarentegen, waren wel belangrijk en voornamelijk richting management. Invloedtactieken die gebruikt werden, waren bijvoorbeeld rationeel handelen en het zoeken van steun van personen hoger in de organisatie. OR-leden waren niet meer invloedrijk dan andere personen in de organisatie. De casusorganisatie was een kleine non-profit organisatie, die gekenmerkt werd door een "familiecultuur". De lijnen van medewerkers naar het management waren kort en daarom zou de behoefte aan een OR wel eens minder urgent kunnen zijn dan in grotere organisaties. Ook in eerder onderzoek worden andere effecten van OR-en gevonden in kleine organisaties (Addison, 2009).

De bevindingen in de hierboven beschreven hoofdstukken hebben ons een stap dichterbij gebracht bij het inzichtelijk maken van het functioneren en de effectiviteit van de OR. Echter, om tot een geïntegreerd model te komen van OR-effectiviteit, waarin determinanten en uitkomsten gecombineerd worden, wilden we toewerken naar een gedragsmodel van OR-effectiviteit. We hebben daarvoor casusonderzoek gedaan, waarbij we drie organisaties hebben vergeleken. De onderzoeksvragen richtten zich voornamelijk op "hoe-vragen": Hoe ontstaat OR-invloed en hoe beïnvloeden OR-en (re)organisatie-uitkomsten? Het laatste hoofdstuk had een hybride karakter, in de zin dat het de eerdere bevindingen heeft onderworpen aan een test (verklarend gedeelte) en dat het getracht heeft nieuwe determinanten te identificeren (exploratief gedeelte), om uiteindelijk tot een geïntegreerd model te komen.

De drie casussen waren alle drie onderdeel van een multinationale on-

derneming (MNO) en hebben in de afgelopen vijf jaren een reorganisatie doorgemaakt. In iedere organisatie hebben we interviews gehouden met vertegenwoordigers van de OR, het management en de werkvloer. De interviews richtten zich op de reorganisatie en de rol van de OR daarin. We hebben bevestiging gevonden voor enkele van onze eerdere bevindingen en hebben hypothesen geformuleerd over nieuwe determinanten.

De houding van het management ten opzichte van de OR werd wederom als belangrijke factor aangemerkt door de geïnterviewden. Daarnaast werden specifieke invloedtactieken van de OR besproken, zoals een proactieve houding aannemen in het overleg met management en rationele argumenten aandragen. Assertiviteit werd ook aangemerkt als een belangrijke tactiek, dit gebruikten OR-en voornamelijk door vasthoudend te zijn in uitleg vragen aan management over de redenen voor reorganisatie. Assertiviteit in de zin van dreigen met rechtszaken werd ook gebruikt, maar had juist een averechts effect in termen van invloed.

Communicatie is erg belangrijk voor de invloed die een OR kan hebben in organisaties. Dit betreft zowel communicatie met management, als ook communicatie onderling (tussen OR-leden) en naar de achterban. Als de OR een goede relatie opbouwt met management, dan kan dit de behoefte aan formele procedures verlagen. Het gebruik van informele procedures tijdens de reorganisatie kan tijd besparen en ook tot betere uitkomsten leiden (voor beide partijen).

Als de OR weet wat zijn (duale) taak is en deze goed uitvoert, leidt dit tot meer invloed in de organisatie. Het opereren in een MNO maakt het wel moeilijker voor OR-en om invloed uit te oefenen, omdat OR-en niet altijd meer zeggenschap hebben over beslissingen van hogerhand. Eén van onze hypothesen is dat dit gemodereerd kan worden door de houding van het management: als deze houding positief is, zelfs als de beslissingen op een hoger niveau genomen worden, kan de OR meer invloed uitoefenen op de besluitvorming. Het ontwikkelde model met bijbehorende hypothesen moet getest worden in toekomstig onderzoek.

Conclusie

Ondernemingsraden kunnen positieve effecten hebben op productiviteit en personeelsverloop verlagen. Deze effecten veranderen in de context van reorganisaties, waarin de OR de belangen van de medewerkers vaak meer beschermt dan die van de organisatie als geheel.

De houding van management tegenover de OR, de relatie tussen de OR en het management en de invloedtactieken die de OR gebruikt, zijn belangrijke factoren die bijdragen aan invloed van de OR binnen organi-

saties.

De duale taak van OR-en, die voorschrijft dat de OR zowel werknemersbelangen als organisatiebelangen moet vertegenwoordigen, speelt een belangrijke rol in het functioneren van de OR. In betere economische tijden verdedigt de OR vaker de organisatiebelangen, terwijl de OR in slechtere economische tijden een meer beschermende rol op zich neemt en de belangen van de medewerkers vertegenwoordigt.

Curriculum Vitae

Saraï Sapulete (1985) was born in Groningen, the Netherlands, where she completed her education at the Augustinus College in 2003. She studied Sociology at the University of Groningen, and received her Bachelor degree in 2006. From 2006 to 2008 she followed the Research Master Human Behavior in Social Context at the University of Groningen, obtaining her Master degree in 2008. During her Master, she visited the Université Paris Dauphine for a period of three months. In September 2008, she became a PhD candidate at the Utrecht University School of Economics (USE), where she completed this dissertation. During her PhD, Saraï visited the London School of Economics as a visiting research student, for a period of three months. As of November 2012, she works as a postdoctoral researcher at the Tilburg School of Economics and Management, department of Organization and Strategy, on an international comparison of works council influence and effectiveness.

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