

Launch of the European Project “IMPROVING EMPLOYEE INVOLVEMENT IN SMEs”

On 26th October 2012, the kick off meeting of the European project “IMPROVING EMPLOYEE INVOLVEMENT IN SMEs. CONSTRUCTION SECTOR AS A BENCHMARK” took place in Rome. The project is co-funded by the EC (BH 04.03.03.03, VP/2012/003/0061). The Italian trade union CISL is the applicant, in partnership with the ETUC FILCA-CISL (IT), EFBWW (EU), ETUC (EU), Budowlani (PL), FNCCB-CFDT (FR).

Scenario and main objectives of the project

Employee involvement in SMEs represents an important challenge if we consider that companies with less than 9 employees in Europe are 21 millions and 220 thousand; companies with 10-49 employees are 1.5 million, those ranging between 50 and 250 are 255 thousand.

Worker involvement in SMEs meets several obstacles of different nature. Trade union structures can hardly be present in such a large number of workplaces. In SMEs, social elections for shop-stewards or works councils are rarely carried out. Company based collective bargaining is uncommon. The lack of a proper governance structure in small businesses make the exercise of information and consultation rights uncertain.

All these circumstances determine the exclusion of employees from a better enhancement of involvement rights and participation schemes.

The project aims at investigating measures that are able to enforce better employee involvement within SMEs. The main focus will be on collective bargaining as a driver for managing the fragmented reality of SMEs on a territorial basis.

In fact, trade union strategies can exploit innovation potentials expressed by local collective bargaining and specific social dialogue instances. Multiemployer collective agreements at local level can better specify terms of application of information and consultation rights in SMEs.

In particular, bipartite/joint bodies (employers and trade unions) can create an enabling environment for employee involvement in SMEs. Coherently, in the concerned countries (Italy, Poland, France, Germany, Belgium), the project will allow to investigate innovative models of industrial relation enabling co-management of industrial relations and work organization through joint-managed bodies in which employers and trade unions together establish condition to implement participative industrial relations.

Such practices can enhance a better implementation of Directive 2002/14/EC, Directive 98/59/EC⁶ and Directive 2001/23/EC. They can also favour innovative forms of employee participation, for instance related to performance-related remuneration, access to equity capital and the establishment of governance rules as already experimented in companies of bigger size.

The project will use the construction sector as a benchmark, due to a number of reasons: it is a drive of the European economy; it is particularly characterised by medium, small and micro enterprises (1.9 million construction firms, of which 97% have fewer than 20 workers and 93% fewer than 10); it well represents challenges that many sectors with a dominance of SMEs have to face in the next future (environmental impact, pollution, green jobs, health and safety, sustainable labour mobility, single market and cross-border provision of services); it is also

characterised by an increasing cross-border mobility which complicates the framework of action for worker representation; it experiences difficult management of dynamics of the workplace, involving too many employers, too many languages, too large gaps in workers' skills, absence of coordination of all these diversities.

Similar problems are met in many other sectors.

Construction has been chosen as a point of reference because, specific forms of employees involvement have been developed at European level by social partners and, today, they represent advanced experiences in managing information, consultation and participation rights in SMEs.

The aim of such benchmark is therefore to learn from successful practices in the building sector in order to identify and disseminate replicable best practices. The aim is also to produce policy orientations and operational tools to improve the implementation of the EU *acquis* on information, consultation and participation of employees in SMEs in all sectors.

Contents of the meeting and interesting outcomes

The idea of CISL, the project leader, is to support and promote worker involvement as a crucial driver to overcome the current financial, economic and social crisis. The aim is to realise an idea of 'quality', democratic market economy through the implementation of information, consultation and participation rights in advanced forms. ICP rights and practices represent in fact strategic instruments to design innovative solutions and realise participative democracy, for the benefit of the market and above all of the working society. In this framework, also employee financial participation can represent a useful tool.

He underlined how the Italian as well as the European productive system is based on medium, small and micro enterprises. They present points of strength (like the limited size, in terms of flexibility and adaptability) as well as of weakness (low capitalisation).

Implementing ICP rights in such medium, small and especially *micro* realities is a challenge. The core aim of the project is to study and systematise experiences in different countries in this environment, in order to design and implement new and more effective participative models, to be callable also within micro enterprises and those under 50 employees (not covered by Directive 2002/14/EC).

The building sector is a benchmark: it offers several medium, small and micro enterprises, where ICP issues can be observed and investigated. It also presents some interesting cases of joint management of industrial relations and worker representation practices valid at communal level.

The main project context and objectives focus on how to structure and make worker representation possible in small and micro enterprises among legislative provisions, reality, experiences in time of crisis.

At EU legislative level, ICP rights are quite detailed for huge enterprises or multinational companies. Small and micro enterprises, the very fabric of the European economy, are excluded from the scope of Directive 2002/14/EC, attempting to create a common basis in this environment. It anyways also suffers from an uneven implementation in practice.

ICP provisions and policies have to be framed into and integrated with the economic context. The European policy references in this field are

- Single Market Act II, as SMEs have to be integrated into the single internal market

dimension, in terms of access to credit; availability of fresh resources, for instance via participation to the capital; collaboration with public authorities; full implementation of the freedom of movement of services.

- Small Business Act, focusing in particular on the social impact of the business;
- The EU2020 strategy, in particular to the chapter New Skills for New Jobs, with a reference to social dialogue at territorial level: communal actors are called more and more at identifying, creating and marshalling the resources available locally, aiming at innovation, investment on people, consolidation of local networks.

In such European framework, the project will investigate:

- The implementation of ICP rights in medium, small and micro enterprises through collective bargaining instruments
- The organisation of worker representation on workplaces characterised by the presence of multiple enterprises from different countries
- Experiences of employee financial participation as a tool for employees to benefit from company profits, and from the participation into the capital.

On these conceptual bases, the debate allowed direct experiences to emerge from the participants. They remarked how fragmentation seems to be a constant within the sector and in the environment of medium, small and micro enterprises. Such feature impacts the overall labour market, employment trends and clearly also the organisation of worker representation, making it more complex to the ends of effective involvement.

Grouping and defining medium, small and micro enterprises

The scope “small, medium and micro enterprises” actually groups very diversified experiences, characterised by peculiar difficulties.

It might be difficult even to define, in the light of the practice, the size of a company. Especially in times of crisis, in fact, a process of ‘pulverisation’ takes place, mirrored by the pulverisation of employment relations. Along with ‘regular’ employees, a series of subcontractors, temporary workers, posted workers are not always kept into account when defining the size of a company.

A related phenomenon to deepen regards the demarcation line among small and micro entrepreneurship and self employment. In all countries represented, in spite of the existing clear legislation, in practice there is the misuse/abuse of the status of self employed. More often, however, a self employed is *de facto* an employee ‘labelled’ as an independent in breach of the law, and suffering worst conditions than a genuine employee. In Poland, for example, a self-employed is registered and considered as a micro-enterprise, also entitled to employ other employees. 220 000 companies in Poland (98% of the companies in the construction sector) are actually mostly constituted by one-self-employed (BUDOWLANI).

The practice is common to France (CFDT) and Italy (FILCA CISL) as well, where the number of self-employed in the sector has overcome the number of employees in the construction sector.

Labour market fragmentation

Additional fragmentation involving SMEs and micro enterprises, is due to some sectoral peculiarities: the construction sector is characterised by the presence of multi-employers’ workplaces. This is valid beyond the abovementioned abuse of one-person-micro-enterprises

constituted by self-employed. The variety of employers involved is evident when considering the recourse to chains of sub-contracts, posted workers and temporary workers. In particular, in Poland there is the possibility of 27 levels of subcontracting. This is not the case of other countries, like Germany, where the number of levels of subcontracting is limited, in contrast with what happens in several Eastern European countries (BUDOWLANI).

The ongoing debate on the European level on posted workers and temporary agent workers will soon have to deal with the problematic issues of social dumping such practices may generate (EFBWW). With regards to the situation of posted workers, the investigation will benefit from the existing website managed by the EFBWW, offering a set of experiences and solutions already imagined and in some cases adopted.

Worker representation, social dialogue and collective bargaining trends

The more fragmented the environment, the more difficult it is to organise the representation of workers' interests. Traditional systems for the organisation of worker representation are company-based. The combination of multi-employer realities on the same workplace makes it difficult to realise the representation structures, and weakens the impact of the ICP provisions. All participants raised the issue of organising interest representation on a wider basis than the company one.

Worker representation systems in SMEs and in micro-enterprises influence the occasions and the content of social dialogue and collective bargaining. In Poland, as in Hungary, Romania and other eastern countries, interest representation, collective negotiations and exercise of ICP rights mainly rely on the company level. In fact a reference collective agreement does not exist for all sectors, as it is the case of the construction one. However, the threshold of at least 10 unionised employees in a company for engaging negotiations excludes the possibility of social dialogue and collective bargaining in micro-enterprises (KUS).

A similar trend is registered in France: higher unionisation at company level, with consequent increase of dialogue and negotiations, concerns only huge enterprises. Negotiations normally take place outside medium, small and micro enterprises, at territorial level, on few main issues (such as salary levels). However, these agreements do apply to SMEs, but are not negotiated at SME level (CFDT).

When companies are under pressures, ICP rights should be exercised with a consistent intensity. Nevertheless, in small and micro enterprises and in time of crisis, ICP rights are less and less implemented. In addition, they are less and less a prerogative of trade unions: ICP instances manage 'emergency' situations, more and more often via other *ad hoc* representation bodies, whose creation often causes additional fragmentation (CFDT).

In Italy, the attempt is to negotiate on a double ground: within the sector, agreements are at company and territorial (provincial) level. The latter is the kind of agreement applicable to SMEs and micro enterprises, reached through territorial trade union delegates in SMEs in times of crisis (FILCA).

In France an advanced presence of territorial trade union instances is registered too (CFDT).

Fragmentations of the labour market as well as of the forms of employment make it more difficult to organize worker representations all over Europe. As in Italy and Poland, also in France the phenomenon of self employed is relevant. Social dialogue does not cover these workers. In this sense the territorial dimension of social dialogue can support the

implementation of ICP rights for them too.

Joint management of ICP rights

All over Europe, the organisation of worker representation and the implementation of ICP rights seem to be problematic in enterprises with less than 50 employees. Given also the above-mentioned fragmentation, it is important to put into value the provisions introduced or already (possibly) included in collective agreements, as reference normative framework (CISL).

However, an important role is played by territorial trade union instances, and also by bilateral/joint bodies. The Italian experience in this sense is quite structured and prolific, as such bodies are active on a number of grounds. They are present in different forms, with different prerogatives and with different competences also in Belgium, France, Germany (FILCA). A comparative overview of their structures and roles in the different countries will be investigated during the project research.

Employee Financial Participation

EFP in SMEs is debated as a driver for economic democracy, for more influence on the corporate governance, for increasing workers' income (participation in profits and enterprise results). The debate also involves issues such as the risk for workers and the uncertainty of retribution. Experiences of EFP are registered in some countries, like in France (productivity bonuses, 'interressement de travailleurs'...) but they mostly concern huge companies (CFDT). In Italy, the National Government has recently been delegated at legislating on EFP. EFP is also a ground for social dialogue, and in this sense it can profit from the action of bilateral/joint bodies (FILCA). An example could be represented by jointly managed funds established on a territorial basis, to fund investments in innovation (CISL). Such experiments could allow to overcome the inconvenient linked to already existing interventions of private equity in SMEs, often supporting new ideas, but more often characterized by short term approach. In other countries, like in Poland, it is not developed in micro and small enterprises at all. Also in big enterprises it is a controversial matter, following the negative experiences linked to the privatization waves.

At European level, the European Commission, in the reference framework mentioned above, often mentions employee financial participation in different forms as a policy tool for supporting SMEs, in particular to favor business succession, increase access to credit and fresh capital, incentivize human resources and reward productivity. The European Parliament is also interested in the topic and is driving a series of initiatives. The project activity will have to benefit from these institutional interlocutors to progress with the debate and address the results of the research to the political level (ETUC).

Above mentioned remarks and information also provide indications for the research activity. The project will in fact profit from national external experts supported by the project partners, who will investigate the experiences on the territories in the different partner countries and beyond (in addition to Italy, France and Poland, also Belgium and Germany will be target countries for the investigation). A questionnaire has been presented which will represent the common basis for the research. The final remarks by CISL underlined the necessity to overcome a company-based vision for SMEs and especially for micro-enterprises. A new approach is to promote wider and more comprehensive solutions, on a territorial basis, where a variety of employers and workers *de facto* strictly interact. Such an approach allows to

embrace a number of crucial topics for worker involvement, such as health and safety, representation models, financial participation.

The final event, a conference which will take place at the beginning of July 2013, will therefore reflect three main lines:

- Presentation of the research outcomes - issues and experiences of the labour market of the building sector as a benchmark
- Organisation of worker representation and its effectivity on a communal basis – the territory as the dimension for worker representation and participation in SMEs and micro-enterprises
- Employee financial participation as a tool for worker participation into company equity – design and discussion of a policy proposal for SMEs (investment funds?)