

Determinants of the Perceived Bargaining Power of the Works Council

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Introduction	Theory and hypotheses	Data
<p>Power is a central factor in negotiations between capital and labour. This applies to negotiations between unions and employers as well as for relationships between works councils and management. But the power of works councils and the sources of various potential influences have to a much lesser extent been the subject of empirical study.</p> <p>In contrast to most studies we do not analyze the objective power but the subjectively perceived power. In bargaining situations, perceived power is regarded as more important than objective power (Walton et al. 2000).</p> <p>Furthermore we analyze the power relationship, i.e. the distribution of power between both protagonists (Emerson 1962). Thus, the aim of our paper is twofold.</p> <ul style="list-style-type: none"> • First, we quantitatively measure the extent of bargaining power that each side attributes to the other, and we show differences between the perceptions of both protagonists. • Second, we identify reasons for differences in perceptions of works council power from company to company. 	<p>Our general propositions are based on the <i>power-dependence theory</i> (Emerson 1962). Power is relational and a function of interests, control and alternative resource sources. Thus we expect works council power to be greater in companies in which it controls more resources.</p> <p>Power-dependence theory refers to <i>objective power</i>. However, "bargaining power is subjective in nature" (Lawler and Bacharach 1986) and the manipulation of perceptions is important in bargaining processes (Walton et al. 2000). Therefore we place <i>special emphasis on perceived, subjective power</i>. This has consequences for our hypotheses. For example, a high degree of unionisation in a firm may influence objective works council power; however, that is not to say that this power source is also perceived by the works council and contributes to the perception of greater power.</p> <p>With our data we are able to identify structural determinants of (perceived) power. In our analysis we include the following variables, a plus or minus in brackets (+, -) indicates the supposed direction of its effect on perceived power:</p> <p>Trade union density of the firm (+) and the works council (+); supervisory board codetermination (+); age of the works council (+); binding collective bargaining agreement (+); percentage of highly trained employees (+); percentage of males (+); size of the company (+); manufacturing sector (+); company in western part of Germany (+); profit situation (+).</p> <p>-> All these factors may have an effect on the power relationship. The effects are interpreted as based on the control of resources and the dependence on these resources.</p>	<ul style="list-style-type: none"> • Representative telephone interviews with 1000 human resource managers and 1000 works councils in as many companies. • Stratified random sample categorized into four size classes (100-199, 200-499, 500-999, 1000+ employees). • Firms with less than 100 employees and firms without a works council were excluded.

Results

Descriptive findings: Perceived power of the works councils

Initially, we measured perceived power using a question that established the power of a works council in comparison to that of works councils from other companies. Then we measured the distribution of perceived power between works councils and managements using a percentage scale. Finally, we computed to what extent works councils and managements differed in their perception of power.

Perceived power of the works council	Management	Works council
Power of the works council compared to other companies (percentage "above average")	27.3 (n= 972)	36.5 (n= 986)
Power relationship between management and works council (points for the works council, out of 100). Mean (in brackets median/standard deviation)	37.2 (40/10.5) (n= 995)	40.5 (40/10.6) (n= 997)

There is consensus between management and works councils that the works councils have inferior power. On average, works councils gave a higher assessment of their own power than the management did.

Correlations

First, we analyze determinants of the perceived power of the works council using correlations:

Independent variables	Influence above average, perceived by...		Relative influence, perceived by...	
	Works council	Management	Works council	Management
Trade union density of the firm (%)	.12**	.20**	.14**	.15**
Trade union density of the works council (%)	.06	.14**	.12**	.13**
Number of works council members	.19**	.20**	.10*	.06*
Employee-elected representatives on the supervisory board (yes=1)	.18**	.15**	.07*	.02
Age of the works council (founded before 1990=1)	.11**	.09**	-.07*	-.01
Binding collective agreement (yes =1)	.10**	.09**	.05	.05
Location of the company in western part of Germany (yes=1)	.11**	.06	.03	.06
Percentage of highly trained employees	-.01	-.01	.06	.12**
Percentage of male employees	.06	.03	-.03	.12**
Manufacturing sector (yes=1)	-.09**	.03	-.03	.09**
Company's profit situation (profit=1)	-.02	-.01	-.02	-.02
Size of the company (more than 199 employees = 1)	.13**	.15**	.02	.04

**= p ≤ 0.01; * = 0.01 < p ≤ 0.05

All correlations are low; most of the signs of the correlations correspond with our hypotheses.

Second, we carried out two groups of regression analyses:

- OLS regressions with relational power as a dependent variable,
- a binary logistic regression in which the dependent variable was an assessment of whether the works councils has above-average influence in comparison with other companies.

OLS regressions (dependent variable: relational power)

Independent variables	Relative influence, perceived by...			
	Works council		Management	
	B	Beta	B	Beta
Trade union density of the firm (%)	.048**	.12	.033	.08
Trade union density of the works council (%)	-.008*	.02	.007	.02
Number of works council members	.114	.04	.127	.05
Employee-elected representatives on the supervisory board (yes=1)	1.182	.05	-.453	-.02
Age of the works council (founded before 1990=1)	1.071	.05	.735	-.03
Binding collective agreement (yes =1)	.094	.00	.587	.03
Location of the company in western part of Germany (yes=1)	1.076	.03	-1.662	-.05
Percentage of highly trained employees	.031	.07	.031	.07
Percentage of male employees	.016	.03	-.021	-.04
Manufacturing sector (yes=1)	-2.394*	-.09	.385	.02
Company's profit situation (profit=1)	-.265	-.01	.092	.00
Size of the company (more than 199 employees = 1)	-1.088	-.05	.513	.02
Constants	37.490**		33.233**	
R-squared	.037		.037	
Adj. R-squared	.022		.022	
n =	811		810	

**= p ≤ 0.01; * = 0.01 < p ≤ 0.05

Logistic regressions (dependent variable: power above average)

Independent variables	Influence above average, perceived by...	
	Works council	Management
Trade union density of the firm (%)	1.012**	1.020**
Trade union density of the works council (%)	.996	.998
Number of works council members	1.042	1.060*
Employee-elected representatives on the supervisory board (yes=1)	1.767*	1.383
Age of the works council (founded before 1990=1)	1.268	1.180
Binding collective agreement (yes =1)	1.232	.964
Location of the company in western part of Germany (yes=1)	1.616	1.067
Percentage of highly trained employees	1.000	.997
Percentage of male employees	.997	.999
Manufacturing sector (yes=1)	.546*	1.030
Company's profit situation (profit=1)	.890	.998
Size of the company (more than 199 employees = 1)	1.055	1.503
Constants	.451*	.079**
Nagelkerke R-squared	.103	.125
n =	804	790

**= p ≤ 0.01; * = 0.01 < p ≤ 0.05

Both regressions show a similar pattern: Most of the variables have hardly any (significant) influence on perceived power. And the effects of the few exceptions (e.g. the degree of unionisation) are not very strong.

The proportion of explained variance is small in all the models.

Conclusions

Our empirical results do *not* confirm our hypotheses. Only *trade union density* has an impact on perceived power for both sides – works councils and managers. Other effects are mainly on the works council side or only on one respective side.

A range of explanations exist concerning the non confirmed hypotheses:

- First, if the manipulation of perception is part of the bargaining process, then it stands to reason that the interviewees would not portray the power relation correctly.
- Second, perhaps perceived power is also heavily determined by bargaining process history, the longstanding experience of the negotiating parties or the characteristics of principal participants in the negotiation. We do not have the data required to analyse such assumptions.

Overall, our findings indicate that measurements of subjective power assessment should be approached with great caution. The question concerning the determinants of perceived power remains open: According to our findings *subjectively perceived power* is not sufficiently explained purely by resource control and its corresponding structural variables.

In future research the bargaining *relationship* and its *history* as well as the characteristics of participants and the personal relationships should be taken into account.

Literature cited

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