The Impact of Private Equity-backed Buyouts on Employee Relations

Research Paper - December 2008

Conducted by CMBOR, the Centre for Management Buyout Research
In association with the European Private Equity and Venture Capital Association (EVCA)

EUROPEAN PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION

THE CENTRE FOR MANAGEMENT BUY-OUT RESEARCH

About EVCA

The European Private Equity and Venture Capital Association (EVCA) was established in 1983 and is based in Brussels. EVCA represents the European private equity sector and promotes the asset class both within Europe and throughout the world. With over 1,300 members in 53 countries, EVCA's role includes representing the interests of the industry to regulators and standard setters; developing professional standards; providing industry research; professional development and forums, facilitating interaction between its members and key industry participants including institutional investors, entrepreneurs, policymakers and academics. EVCA's activities cover the whole spectrum of private equity: venture capital (from seed and start-up to development capital), buyouts and buyins.

About CMBOR

The Centre for Management Buyout Research (CMBOR) was founded at the University of Nottingham in 1986 as the first centre dedicated to monitoring management buyouts and private equity in a comprehensive and objective way. CMBOR has compiled the most comprehensive dataset of management buyouts and private equity in Europe comprising over 27,000 deals covering the period since the late 1970s. CMBOR provides regular monitoring of trends in management buyouts and private equity in Europe, as well as objective analyses of their effects for practitioner, policy and academic audiences. CMBOR also provides research on venture capital and entrepreneurs including early-stage venture capital for academic entrepreneurship, serial entrepreneurs, international venture capital and return entrepreneurship. In addition to the core team based in Nottingham, CMBOR has an active network of over 40 academic and practitioner collaborators in Europe and worldwide.

Disclaimer

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Foreword

Introduction

The value of the European buyout market has grown dramatically in recent years, rising from €13 billion in 1988 to €171 billion in 2007, according to CMBOR data. At the same time, private equity has grown from a cottage industry to a major participant in the world of business and finance.

It is therefore increasingly important that there should be clear information on how private equity investment affects the day-to-day working environment and conditions within businesses – a vital aspect of this being the ways in which private equity investments affect employee relations.

When analysing this dynamic, it is important to note that private equity firms do not normally take a day-to-day managerial role within the companies they own. Instead, the private equity investor acts as a committed and knowledgeable shareholder, making sure that managers are incentivised to run the business in the best interests of the company. At the same time, both private equity shareholders and company management have a responsibility to ensure that the interests of other stakeholders, including employees, are properly considered.

The study did not try to assess the quality of employee relations in buyout companies under their preceding shareholders. Rather, the focus of the study was on whether or not employee relations improved following the buyout.

The findings, which are based on a representative survey of 190 private equity-backed companies across Europe, demonstrated that private equity investment tended to have either a positive impact or a neutral effect across the following broad parameters:

1. Decision-making in employee relations;

2. The evolution of employees' earnings and pension schemes within buyout-backed companies;

3. The extent to which buyout-backed companies utilise high-commitment management practices; and

4. The continued recognition of trade unions, and consultation and information procedures for employees in buyout-backed companies.

In addition, the study also analysed whether there were any differences in the effect of private equity investment on buyout-backed companies across different European social models (see section 5).

[1] The European buyout market has grown significantly in value over the last two decades rising from €13 billion in 1988 to €171 billion in 2007. At the same time, the proportion of European buyouts that has had private equity investment increased from 40% of the number and 54% of the value in 1988 to 66% of the number and 96% of the value in 2007.

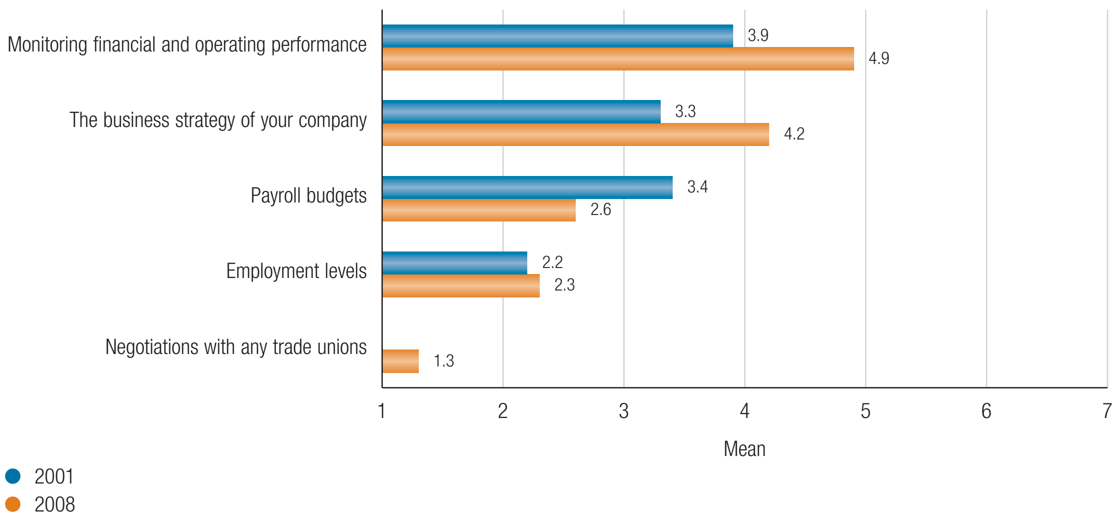
1. The Role of Private Equity Investors in Employee Relations Decision-making

1.1. How do private equity investors influence employee relations in their investee companies?

Respondents were asked to rate the degree of involvement by private equity investors in several activities in their company, using a seven-point scale ranging from 'No involvement by private equity owners' to 'Decided by private equity owners'.

The main role of the private equity investors after a buyout is to monitor the company's financial and operating performance, closely followed by involvement in its business strategy (Figure 1). Private equity involvement in employee relations was rated much lower with most buyout-backed companies (81% of respondents) reporting no involvement by private equity investors in negotiations with trade unions, for example.

Figure 1: Involvement of private equity investors



Source: CMBOR/EVCA
Figures presented are the average answers. The degree of involvement by private equity owners measured on a seven-point scale ranging from 'No involvement by private equity owners' (= 1) to 'Decided by private equity owners' (= 7).
2001[1]: the input of private equity owners measured on a five-point scale ranging from 'No private equity participation' (= 1) to 'All by private equity' (= 5), rescaled to a seven-point scale to enable direct comparison.

As shareholders, and through the Board of the company, private equity investors are mainly involved in the business strategy of the company and in the monitoring of financial and operating performance. The operational management of employee relations is mandated to the managers of the investee company, who work closely with the private equity investor to ensure that agreed performance targets are met. The key employee relations decision-maker is therefore the management in buyout-backed companies.

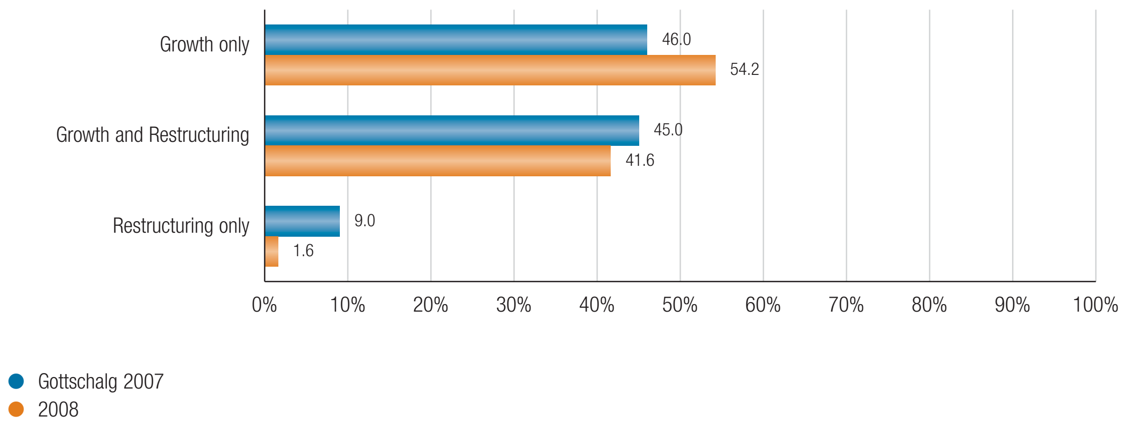
[1] CMBOR/EVCA (2001) Survey of the Economic and Social Impact of Management Buyouts & Buyins in Europe.

1.2. What are private equity's business strategies, and what is their impact on employee relations?

According to 54% of buyout-backed company respondents, the business strategies implemented by private equity investors over the period between the buyout and the time of the survey (2) were growth-focused, while 42% of the surveyed companies reported a combination of growth and restructuring strategies. Only 1.6% reported restructuring-only strategies.

A study carried out for the European Parliament (3) shows broadly comparable results, with 46% of all transactions inducing initiatives oriented towards growth only and 45% of the transactions combining growth-oriented with restructuring-oriented changes during the post-acquisition period. Only 9% led to restructuring only oriented changes (Figure 2).

Figure 2: Growth and restructuring



Source: CMBOR/EVCA/Gottschalg

1.3. How are job losses managed in buyout-backed companies?

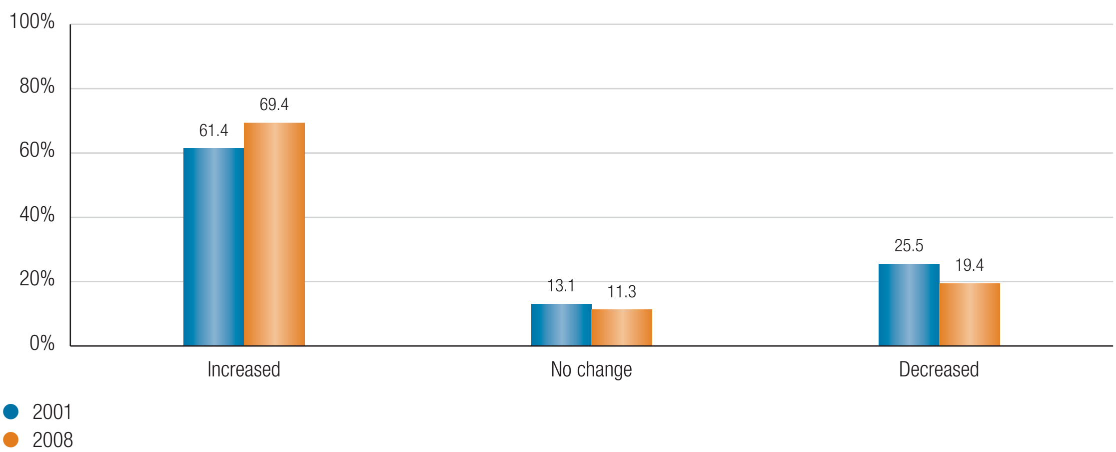
Focusing on job creation/losses amongst our 190 respondents, we see a slight fall in employment levels immediately post-buyout, followed by a reverse trend in the medium and long term (4).

Indeed, the majority (69%) of respondents experienced a net creation of jobs over the period between the buyout and the time of the survey, reflecting the introduction of growth strategies reported in Section 1.2. Just 19% reported a net loss of jobs.

(2) The average timeframe between the buyout and the survey was 37 months.
(3) Gottschalg, O. (2007) 'Private Equity and Leveraged Buyouts', *Study for the European Parliament* (IP/A/ECON/IC/2007-25), Policy Department, Economic and Scientific Policy, 2007. Similar results were also found by the CMBOR/EVCA (2001) Survey of the Economic and Social Impact of Management Buyouts & Buyins in Europe.
(4) The same trend can be observed when looking at the quartiles.

A similar breakdown and pattern of employment change has been identified in other studies[5], including the CMBOR/EVCA study (2001)[6] (Figure 3)[7]. Recent studies of the employment effects of buyouts focused on the United Kingdom[8], France[9] and Spain[10] also show a similar pattern.

Figure 3: Change in the total number of employees



Source: CMBOR/EVCA 2008
Employee data = difference in number between year of survey and year before buyout.

Slightly more than a quarter of respondents (27.4%) made redundancies. While there were no differences in the share of companies making employees redundant across social models[11], 39% of companies with growth/restructuring strategies lost employees compared to only 20% of companies with growth-only strategies.

(5) Such findings are in line with the results presented in Amess, K. and Wright, M. (2007) The Wage and Employment Effects of Leveraged Buyouts in the UK, *International Journal of the Economics of Business*, 14(2), 179-195 regarding management buyouts. Despite the fact that the methodology of this survey is not fully comparable with the study carried out for the World Economic Forum (below), the J-curve observed with our sample does not contradict the results of that study, which looked at two sources of job evolution: net greenfield job creation and net job reduction within existing plants (including plants sold to third parties following the buyout) (Davis, S., Lerner, J., Haltiwanger, J., Miranda, J. and Jarmin, R. 2008. Private equity and employment. In Lerner, J. and Gurung, A. (eds.). The Global Impact of Private Equity Report 2008, Globalization of Alternative Investments, Working Papers Volume 1, World Economic Forum, 43-64).

(6) CMBOR/EVCA (2001), op. cit.

(7) The year of the buyout, as an indicator of prevailing economic conditions, was not associated with whether companies increased or decreased employment.

(8) Wright, M. et al. (2007) 'The implications of Alternative Investment Vehicles for Corporate Governance: A Survey of Empirical Research', *Report prepared for the Steering Group on Corporate Governance*. Paris: OECD.

(9) Constantin Associes & AFIC (2007) 'Impact of LBOs/buyouts on the French labor market'. Paris: AFIC.

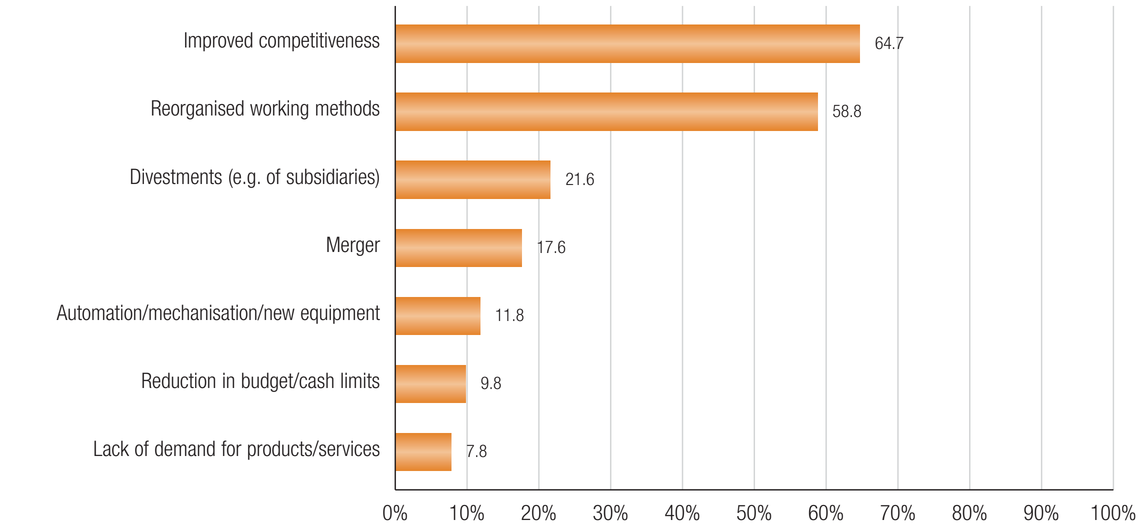
(10) ASCRI (2008) Economic and Social Impact of Venture Capital and Private Equity in Spain. Madrid: ASCRI.

(11) Countries are classified here according to the indicators used in the employee relations literature reflecting differences in union density and structure, collective bargaining coverage and structure, and employment protection. See Hamann, K. and Kelly, J. (2008) 'Varieties of capitalism and industrial relations', in Blyton, P., Bacon, N., Fiorito, J. and Heery, E. (eds.) *The Sage Handbook of Industrial Relations*. London: Sage, pp. 129-148. For the purpose of this study, analysis has been made on the basis of the following social models: Liberal Market economies, Northern Europe, Central Europe and Mediterranean Europe.

(12) Comparative figures for workplaces in Great Britain in 2004 reported the main reasons as reorganised working methods (37%), lack of demand (28%), improved competitiveness (19%) and reduction in budget/cash limits (16%). This suggests improved competitiveness and reorganised working methods are more likely to lie behind redundancies in buyouts but redundancies are less likely to result from reductions in budgets and cash limits. UK data from B. Kersley et al. (2006) *Inside the Workplace: Findings from the 2004 Workplace Employment Relations Survey*. London: Routledge, p. 202.

Where redundancies did occur, the main reasons were increasing a company's competitiveness (65%) and reorganisation of working methods (59%) (Figure 4) ([12]).

Figure 4: Reasons for redundancy

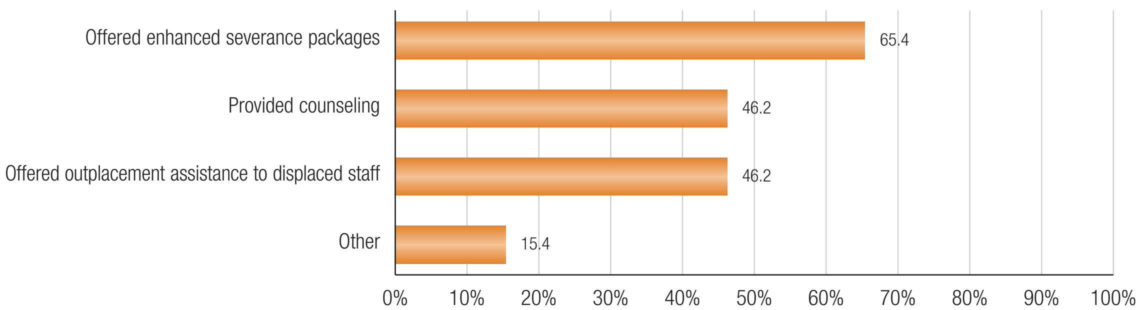


Source: CMBOR/EVCA 2008
Note: Respondents could select more than one option, therefore the columns add up to more than 100%.

Most of the companies that made redundancies (either at the time of the buyout or subsequently) offered employees help, providing either one or a combination of measures, as detailed below:

- enhanced severance packages were provided by 65% of the companies that made redundancies;
- counselling was offered by 46% of those companies; and
- outplacement assistance to displaced staff was offered by 46% of those companies (Figure 5).

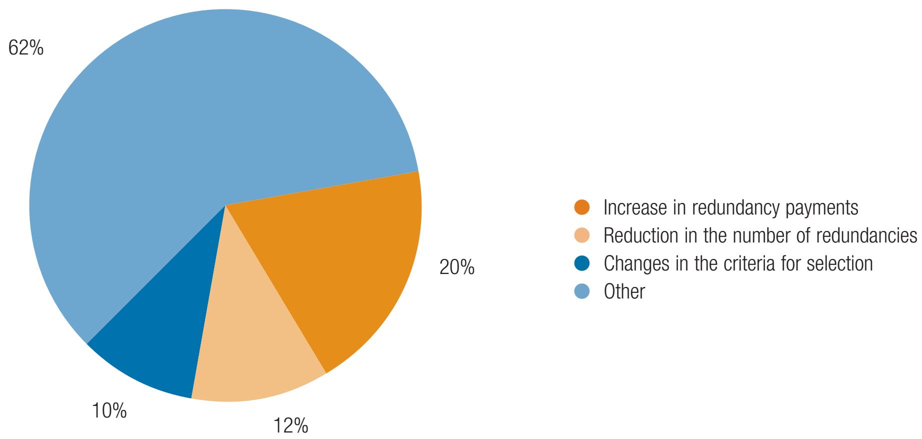
Figure 5: Help for employees made redundant



Source: CMBOR/EVCA 2008
Note: Respondents could select more than one option, therefore the columns add up to more than 100%.

Of the companies that had made employees redundant, 75% had consulted with employees or their representatives prior to making the decision in line with EU statutory requirements. As a result of these consultations, 20% of companies increased redundancy payments and 12% reduced the number of redundancies (Figure 6)([13]).

Figure 6: Alterations to redundancy plans following consultation



Source: CMBOR/EVCA 2008
Note: Respondents could select more than one option, therefore the chart adds up to more than 100%.

([13]) Comparative data from Britain covering all employers also reported the same proportion of workplaces (75%) had consulted over redundancy proposals, although more buyouts reported altering redundancy plans as a consequence. More than three-quarters (78%) of all British employers in the 2004 Workplace Employment Relations Survey did not alter managers' original proposals, with 5% increasing redundancy pay, 6% changing selection criteria and 10% reducing the number of redundancies as a result of the consultation. See B. Kersley et al. (2006), op. cit., p. 203.

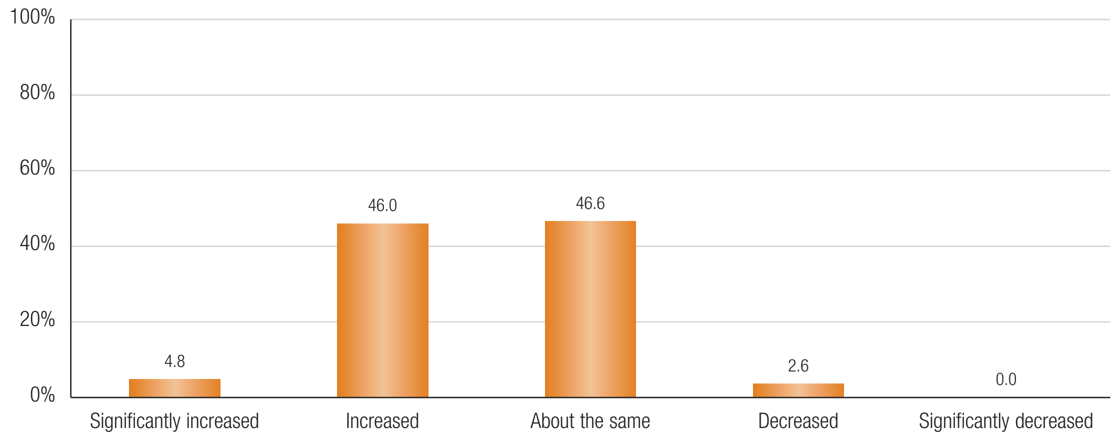
2. The Effect on Non-managerial Employees' Earnings and Pension Schemes within the Target Company

2.1. What is the impact of buyouts on non-managerial employees' earnings?

The following section examines the evolution of real earnings from before the buyout to the time of the survey, as well as the factors influencing decisions on the size of pay awards for non-managerial employees after the buyout.

Over half (51%) of respondents reported an increase in real earnings [14] of non-managerial employees at the time of the survey compared to before the buyout. 47% reported no change and only 3% reported a reduction (Figure 7).

Figure 7: Real earnings compared to before buyout

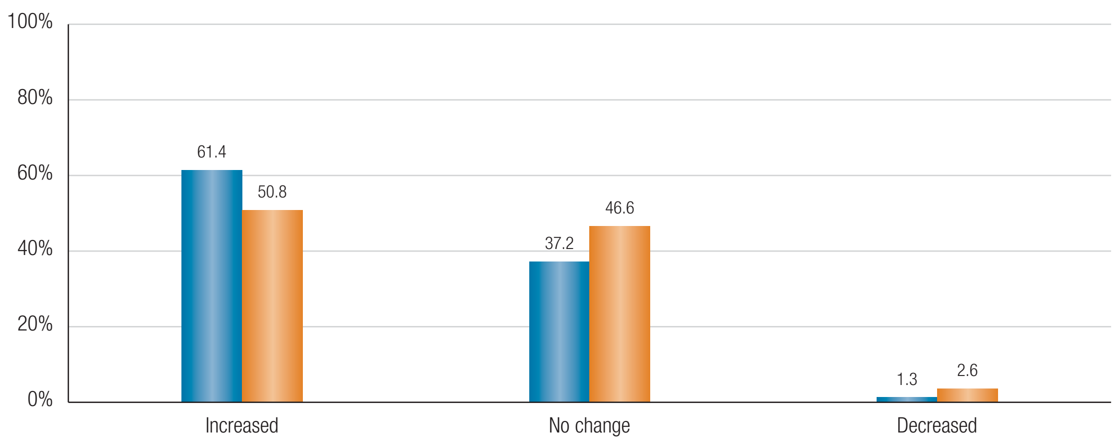


Source: CMBOR/EVCA 2008
See Glossary for definition of real earnings.

[14] After adjustment for inflation.

Similar findings were obtained in the CMBOR/EVCA 2001 survey([15]) (Figure 8) and in a 2007 study([16]), by Amess and Wright, which shows that of the UK companies that have undergone either a management buyin (MBI) or management buyout (MBO), more than 63% increase earnings per employee.

Figure 8: Real earnings of non-managerial employees since buyout



2001
2008

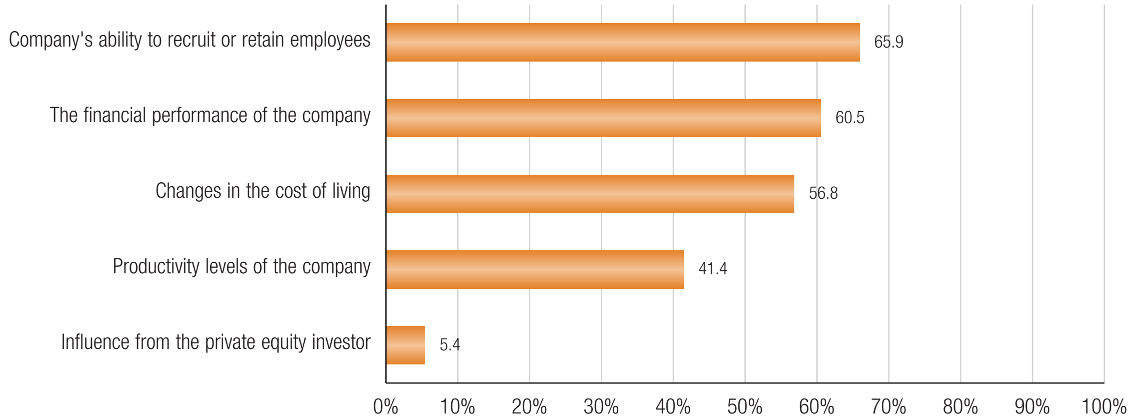
Source: CMBOR/EVCA
See Glossary for definition of real earnings.

The interviews undertaken for this study show that, in a number of companies, it would normally not be possible for private equity investors to change pay levels because collective bargaining or Tariff Agreements are reached at sectoral level between employers' organisations and unions. Basic earnings often increased because Tariff Agreements ensured earnings increases.

The three most important factors taken into account by managers in determining the size of earnings awards for non-managerial employees post-buyout were the ability to recruit and/or retain employees (66%), followed by the financial performance of the company (61%) and changes in the cost of living (57%). Private equity investors influenced earnings awards for non-managerial employees in relatively few instances (Figure 9)([17]).

([15]) CMBOR/EVCA (2001), op. cit.
([16]) Amess, K. and Wright, M. (2007), op. cit.
([17]) These findings are not out of line with British workplaces in the 2004 Workplace Employment Relations Survey. In that survey the comparative figures are as follows: the financial performance of the company (59%), changes in the cost of living (56%), ability to recruit or retain employees (41%) and productivity levels of the company (41%). Source: Department of Trade and Industry (1999) *Workplace Employment Relations Survey 2004: Cross-section* [data file]. For more information, please see the full list of References at the back.

Figure 9: Earnings award factors



Source: CMBOR/EVCA 2008
Note: Respondents could select more than one option, therefore the columns add up to more than 100%.

2.2. What is the impact of buyouts on occupational pension schemes?

This section asks:

- Do buyouts have an impact on occupational pension schemes within the investee companies and, if so, to what extent?
- What types of pension schemes are offered by those companies pre-buyout and at the time of the survey?
- Are there any differences in the effect of buyouts on occupational pension schemes according to the size of the investee company and among different types of buyout [18].

2.2.1. Frequency of occupational pension schemes

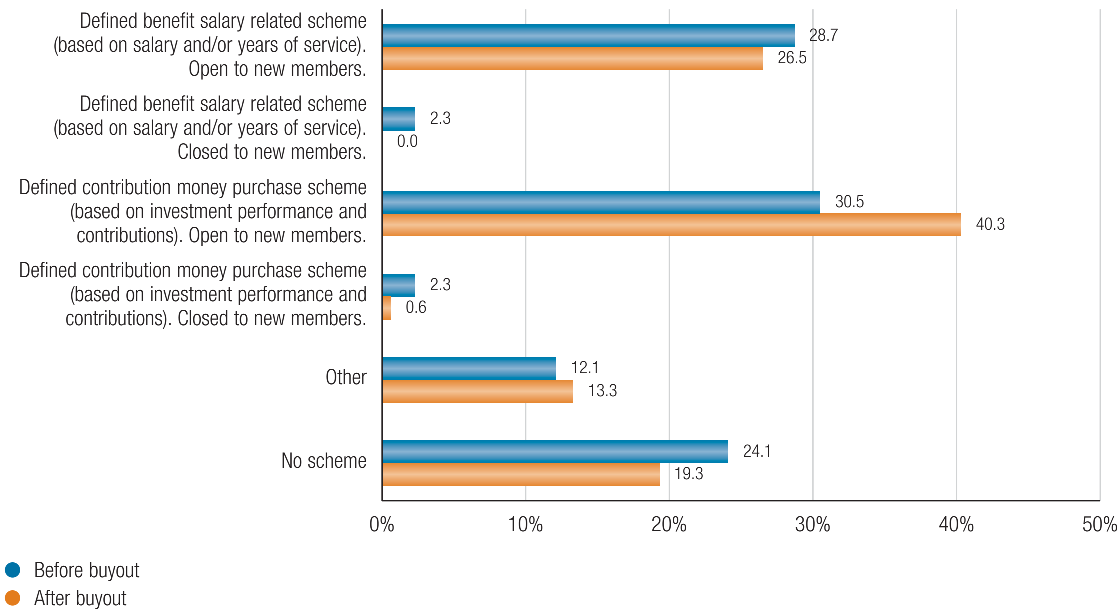
Companies offering occupational pension schemes increased from 76% pre-buyout to 81% post-buyout.

Pre-buyout, the most commonly used type of pension scheme for non-managerial employees was one based on investment performance and contributions and open to new members (31%), closely followed by one based on salary and/or years of service and open to new members (29%).

Post-buyout, pension schemes tended to evolve even more towards open defined contribution schemes based on investment performance and contributions (rising to 40% of respondents post-buyout), while the share of defined benefit salary-related schemes based on salary and/or years of service decreased to 26.5% of respondents post-buyout (Figure 10).

[18] Previous research indicates that managers implement different types of human resource management (HRM) policies according to the type of buyout. See: Bacon, N., Wright, M., and Demina, N. (2004) 'HRM in Buyouts', *British Journal of Industrial Relations*, 42, 2, 325-348.

Figure 10: Type of occupational pension scheme



Source: CMBOR/EVCA 2008

Of the 42 companies with no pension scheme pre-buyout, eight introduced a new scheme after the buyout had occurred. The most popular was an open scheme based on investment performance and contributions (four companies), followed by an open scheme based on salary and/or years of service (three companies). Pre-buyout, there were 49 companies with an open scheme based on salary and/or years of service and eight of these changed after the buyout with six adopting an open scheme based on investment performance and contributions (Table 1).

Table 1: Changes in pension schemes

Before the buyout		After the buyout				
Type		Open: salary/years service	Open: Performance/ contributions	Closed: Performance/ contributions	Other	No Scheme
Open: salary/years of service	49	41	6	0	2	0
Closed: salary/years of service	4	0	4	0	0	0
Open: performance/contributions	53	0	53	0	0	0
Closed: performance/contributions	4	0	2	1	0	1
Other	21	0	0	0	21	0
No Scheme	42	3	4	0	1	34
Total	**173**	**44**	**69**	**1**	**24**	**35**
		Total after the buyout: 173				

Source: CMBOR/EVCA 2008

The changes to pension schemes in companies owned by private equity investors do not appear out of line with other private sector companies. For example, in the United Kingdom the Turner Report noted an accelerating decline in defined benefit schemes in particular (from 35% to 20% of employees between 1983 and 2003), while defined contribution schemes had not declined in the same way [19].

Very few respondents reported a deterioration in the post-buyout terms of occupational pension schemes. Only 6.2% reported that the pensions that employees can expect to receive are less than before the buyout, while 5.5% stated that there would be less generous early-retirement terms. Only 3.4% reported that there would be a reduced rate of employer contributions and that pensions would be received at a later retirement date. Finally, only 1.4% of the respondents reported a material reduction of the security of pensions in the event of the company's insolvency.

Differences according to company size

The impact of the private equity investment on the type of occupational pension scheme offered did not differ according to the size of the buyout-backed company.

More specifically, both pre- and post-buyout, a pension scheme based on a defined benefit salary-related scheme open to new members is slightly more prevalent in small companies. Conversely, a defined contribution money purchase scheme is more popular with large companies, both pre- and post-buyout.

Differences according to buyout type

Pre-buyout, twice as many companies subsequently involved in a management buyin had a defined benefit salary-related scheme (open to new members) compared to management buyouts. Management buyouts were more likely to have a defined contribution money purchase scheme (open to new members). The proportions did not change after the buyout.

[18] The Pension Commission Interim Report (The Turner Report), October 2004.

3. Employee Commitment within Target Companies

3.1. What is the impact of buyouts on pay schemes and high commitment practices?

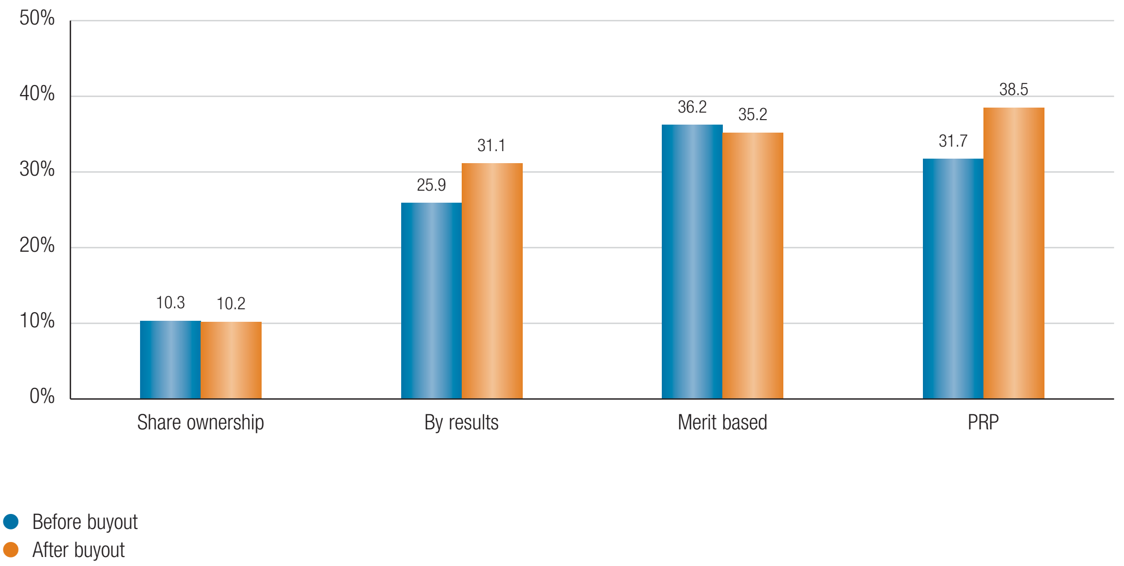
3.1.1. Pay scheme

Respondents were asked to indicate whether a range of incentive pay schemes for non-managerial employees were used before and after the buyout, and how many of these employees were covered by these schemes.

The results showed that buyout-backed companies tend to introduce incentive pay schemes to encourage employee alignment with and commitment to employer goals.

The percentage adoption increased after the buyout for pay schemes by results and profit-related pays or bonuses (PRP). Merit-based pay schemes were less used after the buyout. The buyout has no impact on share ownership (Figure 11).

Figure 11: Pay schemes pre- and post-buyout



Source: CMBOR/EVCA 2008
This figure shows the percentage of companies where 40% or more of non-management employees are covered by these pay schemes.
See Glossary for definition of terms.

Differences according to company size

In general, both before and after the buyout, the most popular pay scheme for large companies was a merit-based scheme, whereas a pay scheme that involved profit-related payments or bonuses was more popular in small companies than in medium-sized or large companies. The most popular schemes in medium-sized companies were payments by results before the buyout and profit-related payments or bonuses after the buyout.

Differences according to buyout type

Whereas the buyout had an impact on the type of pay scheme offered by companies that have undergone an MBO, that was not the case for MBIs.

In the case of MBOs, after the buyout, profit-related schemes overtook merit-based pay schemes as the most popular pay scheme. Furthermore, after the buyout, MBOs were more likely to introduce payment by results and profit-related pay.

For MBIs merit-based schemes were most popular before and after the buyout, and the popularity of all four pay schemes was unaffected by the buyout.

3.1.2. High commitment practices [20]

The survey invited investee companies to indicate whether each of ten employment practices were in operation before private equity investment and whether the practices are currently in operation. Each practice is associated with high commitment management practices.

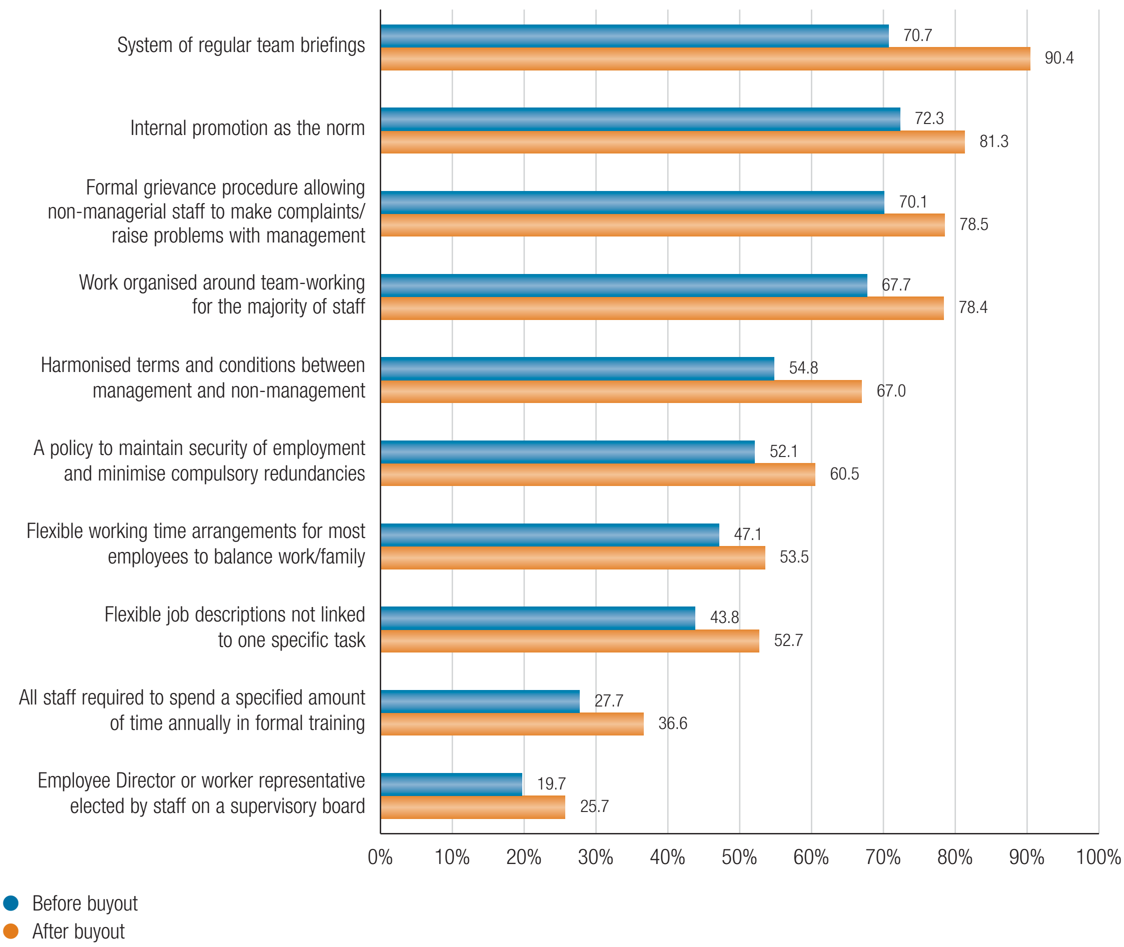
While each of the ten high commitment practices was more likely to be introduced post-buyout (rather than pre-buyout) (Figure 12), the largest increases were found for:

- Regular team briefings (used by 90% of respondents post-buyout compared to 71% pre-buyout);
- Harmonised terms and conditions between management and non-management (67% of the respondents after compared to 55% before);
- Internal promotion as the norm (81% after compared to 72% before);
- Work organised around team-working for the majority of the staff (78% after compared to 68% before); and
- Establishment of a formal grievance procedure allowing non-managerial staff to raise problems with management (79% after compared to 70% before).

[20] The selection of high commitment management practices in this study was taken from: Guest, D., Michie, J., Conway, N. & Sheehan, M. (2003) 'Human resource management and corporate performance in the UK'. *British Journal of Industrial Relations*, 41, 291-314; Combs, J., Yongmei, L., Hall, A., & Ketchen, D. (2006) 'How much do high-performance work practices matter? A meta-analysis of their effects on organizational performance'. *Personnel Psychology*, 59, 501-528; and Wall, T. D. & Wood, S. J. (2005) 'The Romance of Human Resource Management and Business Performance and the case for big science'. *Human Relations*, 58, 1-34.

3. Employee Commitment within Target Companies

Figure 12: High commitment management practices before and after buyout (% of respondents)



Source: CMBOR/EVCA 2008
Respondents indicated whether each practice was in operation in the company before the buyout and whether each practice is currently in operation in the company.

Differences according to company size and industrial sector

While for the small investee companies in the sample, the presence of each high commitment practice increased after the buyout, only one such practice increased for medium-sized companies (regular team briefings) and two increased for large companies (work organised around team-working for the majority of staff and regular team briefings). The presence of the other high commitment practices remained unchanged for medium-sized and large companies.

A comparison of the results of the survey for three of the most important sectors (consumer-related, manufacturing and service companies) compared to the whole group shows that there were no significant increases in high commitment management practices amongst service companies after the buyout (because in many instances these practices were already in place).

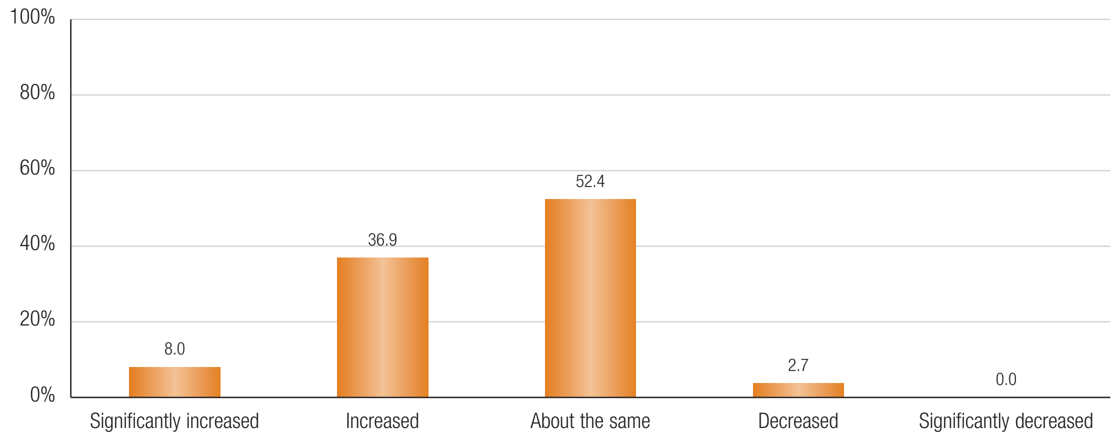
Differences according to type of buyout

Both MBOs and MBIs experienced increases in high commitment practices, but while all of the high commitment management practices increased significantly after the buyout in the case of MBOs, only six out of ten practices increased in the case of MBIs: flexible job descriptions not linked to one specific task; work organised around team-working for the majority of staff; system of regular team briefings; harmonised terms and conditions between management and non-management; all staff required to spend a specified amount of time annually in formal training; formal grievance procedure allowing non-managerial staff to make complaints/raise problems with management. The other four practices did not change in importance.

3.2. What is the impact of buyouts on training programmes?

Some 45% of companies reported that the amount spent on non-managerial employee training (after adjustment for inflation) had increased post-buyout. Just over half (52%) reported that the amount spent on non-managerial employee training had stayed the same, while only 3% reported a reduction (Figure 13).

Figure 13: Training compared to pre-buyout



Source: CMBOR/EVCA 2008

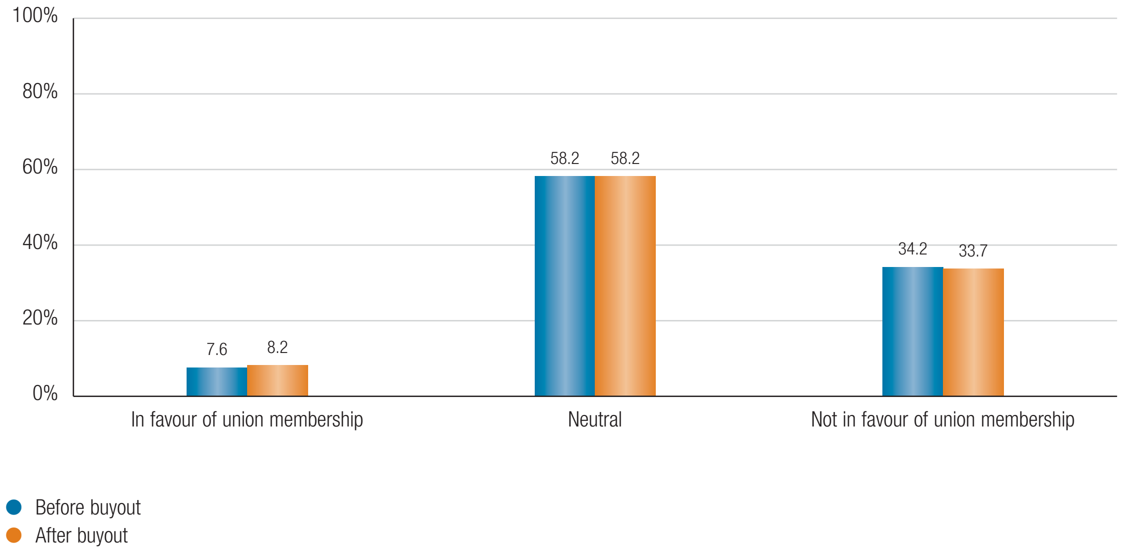
4. Recognition of Trade Unions, Employee Consultation and Information Procedures

4.1. The relationship between private equity investors, management and trade unions at the company level

4.1.1. Management attitude towards trade union membership

The attitude of investee company managers towards trade union membership changed little as a result of the buyout. The majority of respondents stated that management's attitude was neutral (58%), a small minority was in favour (8%), and a minority was not in favour (34%) (Figure 14).

Figure 14: Management attitude towards trade union membership



Source: CMBOR/EVCA 2008

Differences according to size of company

The private equity investment did not have a significant impact on managers' attitude towards trade union membership in small or large companies.

Both before and after the buyout, in medium-sized and large companies managers were slightly more in favour of union membership compared to small companies (10.6% versus 6.4% respectively after the buyout).

Differences according to buyout type

A larger proportion of MBIs than MBOs were in favour of trade union membership before the buyout and these proportions did not change as a result of the buyout. More specifically, also after the buyout, managers were much more in favour of union membership in the case of MBIs compared to MBOs (10.8% versus 3.3% respectively).

4.1.2. Trade union membership recognition

Across the whole of Europe, 41% of responding companies recognised trade unions for negotiating pay and conditions [21] of employment before the buyout and slightly fewer reported that this was the case after the buyout (39%).

Differences according to company size

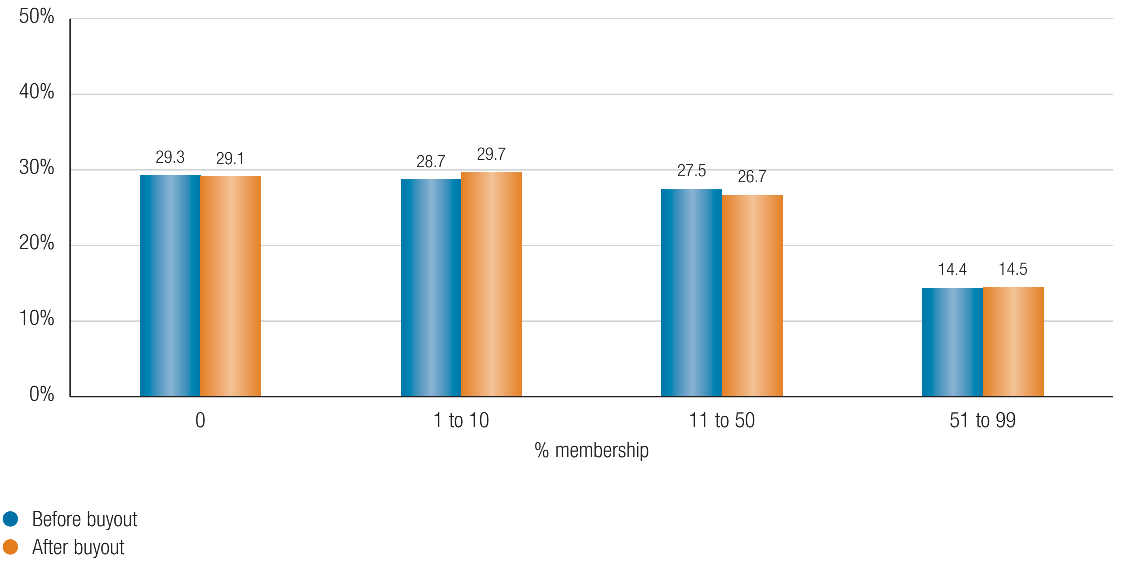
The private equity investment did not have a significant impact on trade union recognition in small or large buyout-backed companies. Both before and after the buyout, there were twice as many large companies (60%) that recognised trade unions for negotiating pay and conditions compared to small and medium-sized companies (30%).

4.1.3. Trade union membership density

The proportion of employees who were trade union members changed very little after buyouts. Some 56% of all companies with trade union members had between 1% and 50% of their workforce unionised, and 15% had more than 50% of the workforce unionised (Figure 15).

11.4% of respondents reported a decline in union membership density compared to before the buyout and 10.8% reported increased union membership density [22].

Figure 15: Trade union membership density (% of total number of employees)



Source: CMBOR/EVCA 2008
Note: None of the surveyed companies had 100% of its workforce unionised.

[21] Conditions include hours of work, holidays, etc.
[22] By comparison, across the European Union as a whole, the average level of union membership weighted by the numbers employed in the different Member States is 25%. Source: http://www.worker-participation.eu/national_industrial_relations/across_europe/trade_unions.

Differences according to company size

Trade union membership density differs according to the size of the buyout-backed company, and the private equity investment did not have a significant impact on this.

More specifically, before the buyout, 86% of large companies had trade union members compared to 69% of medium-sized companies and 61% of small companies. Furthermore, in almost three quarters of the large companies and in about half of the small and medium-sized companies, up to half of employees were trade union members. These percentages did not change significantly post-buyout.

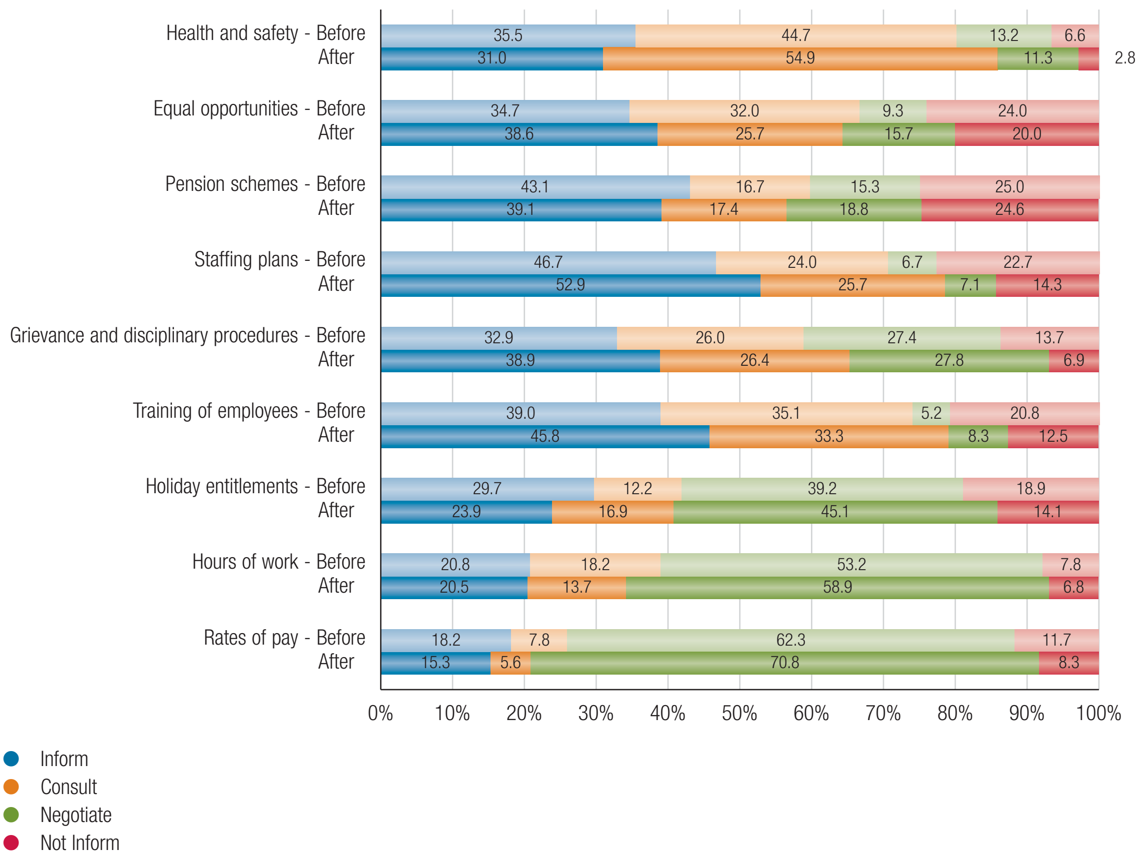
4.1.4. Negotiations with trade unions

Overall, companies recognising trade unions report increased negotiation after private equity buyouts. More specifically, in the companies recognising trade unions, more managers report that they negotiate over eight out of nine terms and conditions after buyout than beforehand, covering: rates of pay, hours of work, holiday entitlements, training of employees, grievance and disciplinary procedures, staffing plans, pension schemes and equal opportunities.

The proportion of companies not informing unions declined on each of the nine terms and conditions measured after the buyout (Figure 16).

Since the buyout, only 4% of the sample had withdrawn from any ongoing collective agreements and 10% had renegotiated any ongoing collective agreements before they had expired.

Figure 16: Joint regulation of terms and conditions in companies recognising unions



Source: CMBOR/EVCA

4.2. What is the impact of buyouts on consultative committees?

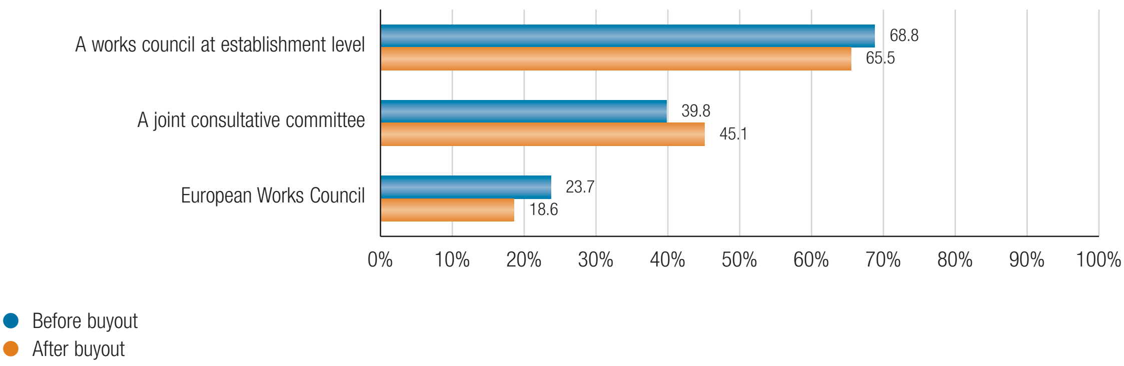
The proportion of buyout-backed companies that had a consultative committee in place increased from 50% before the buyout to 63% after the buyout [23].

For companies with a consultative committee, a works council at establishment level was most common both before (69%) and after (66%) the buyout. The proportion of joint consultative committees increased after the buyout while the proportion of European Works Councils and works councils at establishment level fell after the buyout (Figure 17). It should be noted that some buyouts from large multinational companies no longer operated in different countries and did not therefore require a European Works Council.

[21] The regulations applying to works council establishment and to European Works Councils, make it difficult to identify the impact of positive policies developed by the investee company managers. For example, beyond a certain size, a company will have to set up a works council. Similarly, a European Works Council will depend on the pan-European nature of the company. As the setting up of works councils (European or national) depends on exceeding certain regulatory thresholds, the impact of buyouts is most appropriately assessed according to the influence of consultative committees and analysis of the issues discussed within these committees, rather than by any increase or decrease in the number of companies with committees.

4. Recognition of Trade Unions, Employee Consultation and Information Procedures

Figure 17: Consultative committees

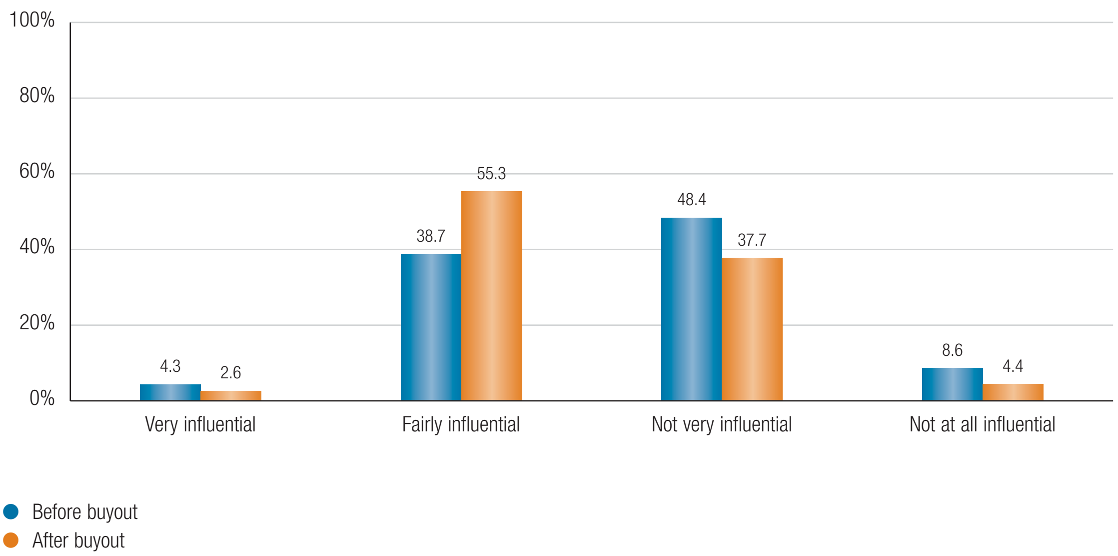


Source: CMBOR/EVCA 2008
Note: Respondents could select more than one option, therefore the columns add up to more than 100%.

In respect of the influence of consultative committees on management decisions before and after the buyout, the study shows that buyout-backed companies regard consultation committees as more influential on management decisions under private equity ownership.

Before the buyout, 57% of buyout-backed companies rated committees as not very or not at all influential, whereas post-buyout 58% rated committees as fairly or very influential (Figure 18). This probably reflects a closer alignment between the interests of employee representatives and investee company managers as a result of an improved business focus and smaller scale of operations.

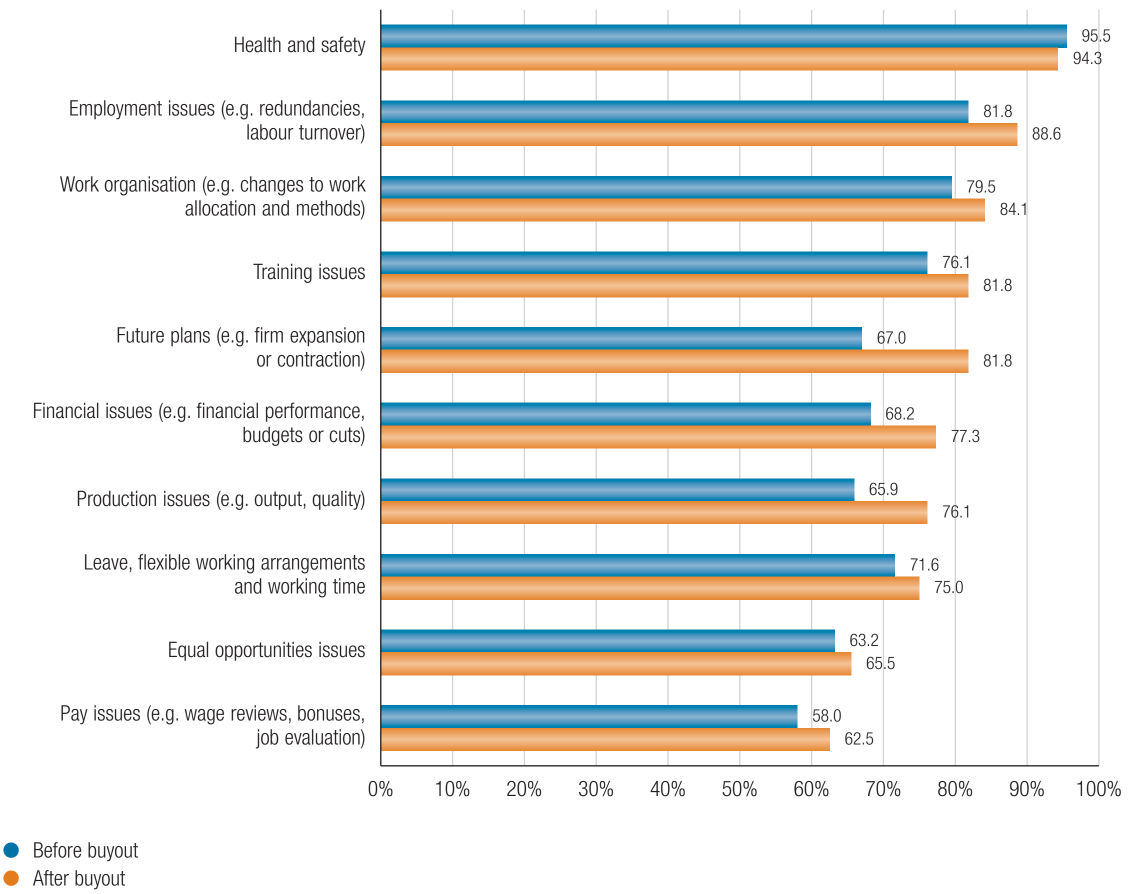
Figure 18: The influence of consultative committees



Source: CMBOR/EVCA 2008

Private equity investment did not change the average number of issues discussed by consultative committees. However, comparing the issues more likely to be discussed in consultative committees before and after private equity involvement does show discussions re-orientate towards strategic/performance-linked issues [24].

Figure 19: Issues discussed by consultative committees



Source: CMBOR/EVCA 2008
Note: Respondents could select more than one option, therefore the columns add up to more than 100%.

[24] Including future plans; financial issues; and production issues.

5. Differences in Employee Relations Across Europe's regions

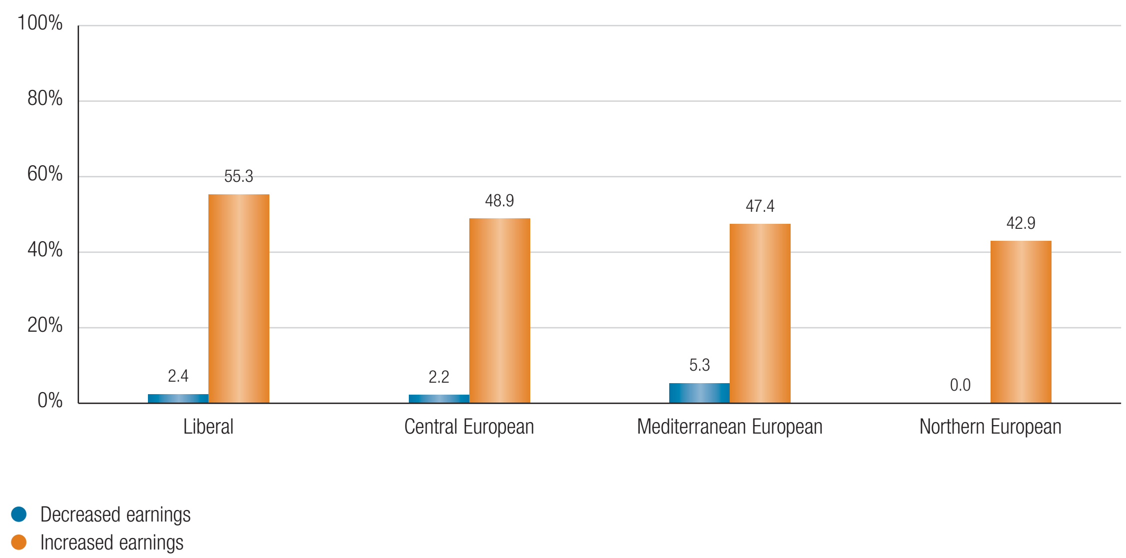
Employee relations remain highly influenced by national practices and regulations. This chapter looks at the differences between the effects of private equity investment on employee relations in different European social models.

5.1. Effect on non-managerial employees' earnings and pension schemes across Europe

The impact of a buyout on the real earnings for non-managerial employees varied slightly across social models. Companies associated with the liberal market economies (United Kingdom and Ireland) reported the largest incidence of increased real earnings after the buyout (55% of the sample), followed by the Central European model (49%), the Mediterranean European model (47%) and finally the Northern European model (43%).

Very few companies experienced a decrease in real earnings and the range across social models was from an average of 0% of Northern European companies to 5.3% of Mediterranean European companies (Figure 20).

Figure 20: Real Earnings Across Social Models

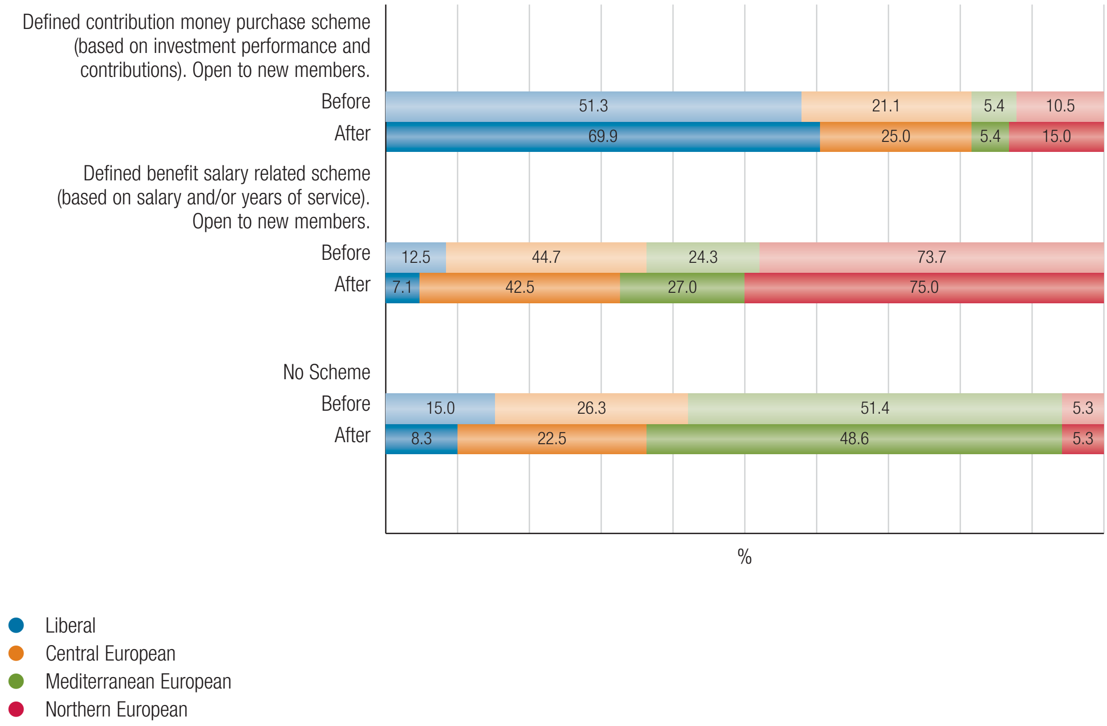


Source: CMBOR/EVCA 2008

The differences in the effects on occupational pension schemes across Member States were also minor.

Before the buyout, Northern European companies favoured defined benefit salary-related schemes (74%), whereas companies in the Liberal Markets favoured defined contribution money purchase schemes (51%). Almost half of the Mediterranean companies had no scheme at all. Private equity involvement had little impact on these differences in employee relations between social models (Figure 21).

Figure 21: Main Pension Schemes Across Social Models



Source: CMBOR/EVCA 2008

5.2. Effect on pay schemes and high commitment practices across Europe

The introduction of payment by results and profit-related pay after a buyout is more likely in Liberal Markets compared to other countries.

Changes in high commitment management practices also varied by social model (Table 2). The United Kingdom and Ireland, as the least regulated social environments, experienced more and greater changes in high commitment practices after the buyout. The significant increases in these practices suggest that underinvestment by public companies pre-buyout was addressed by increased investment under private ownership. Northern Europe as the most regulated social regime experienced no significant changes overall, while Central Europe and the Mediterranean environments fell between these two cases.

The proportion of companies reporting high commitment management practices does reflect national legislation, but the important point is that they increase showing no evidence that buyouts are avoiding their legal responsibilities in this regard.

5. Differences in Employee Relations Across Europe's regions

Table 2: Changes in High Commitment Management Practices by Social Model

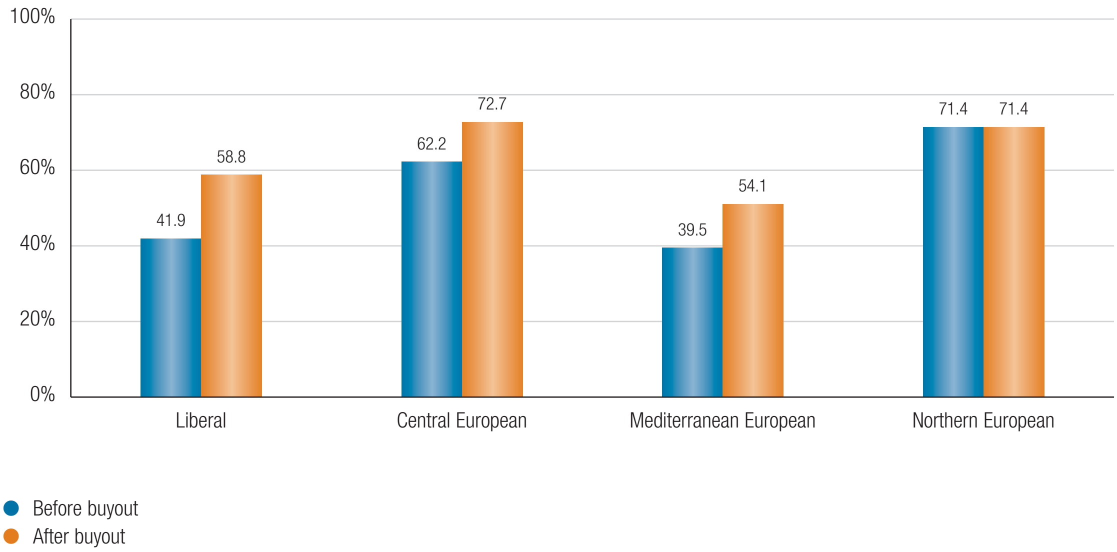
Practice	Liberal Markets	Northern Europe	Central Europe	Mediterranean Europe
Number of responses	**84-85**	**20-21**	**44-45**	**35-38**
Employee Director or worker representative elected by staff on a supervisory board				
Before	7.1	57.1	26.7	18.4
After	12.0	52.4	31.1	34.1*
Flexible job descriptions not linked to one specific task				
Before	50.6	61.9	47.7	11.4
After	61.4*	66.7	51.2	25.7
Work organised around team-working for the majority of staff				
Before	74.1	52.4	77.3	50.0
After	84.7*	57.1	83.7	69.4*
System of regular team briefings				
Before	68.2	85.7	80.0	56.8
After	90.6*	95.2	95.5*	81.1*
Internal promotion as the norm				
Before	77.7	90.5	68.9	54.1
After	81.2	95.2	79.5	75.7*
Harmonised terms and conditions between management and non-management				
Before	52.9	76.2	56.8	44.4
After	64.7*	66.7	67.4*	72.2*
All staff required to spend a specified amount of time annually in formal training				
Before	23.8	28.6	40.0	21.1
After	32.1*	28.6	48.8	36.8*
A policy to maintain security of employment and minimise compulsory redundancies				
Before	51.8	52.4	53.3	51.4
After	62.4*	65.0	65.9*	47.2
Formal grievance procedure allowing non-managerial staff to make complaints/raise problems with management				
Before	88.2	66.7	68.2	32.4
After	98.8*	65.0	77.3	40.5
Flexible working time arrangements for most employees to balance work/family				
Before	37.6	76.2	62.2	34.2
After	44.7	80.0	65.9	44.7

Source: CMBOR/EVCA 2008
Wilcoxon test for statistically significant differences in responses before and after the buyout.
Before = % answering yes before buyout, After = % answering yes after buyout.
* Significance = 0.05 or better.
See Glossary for definition of social models.

5.3. Effect on employee consultation across Europe

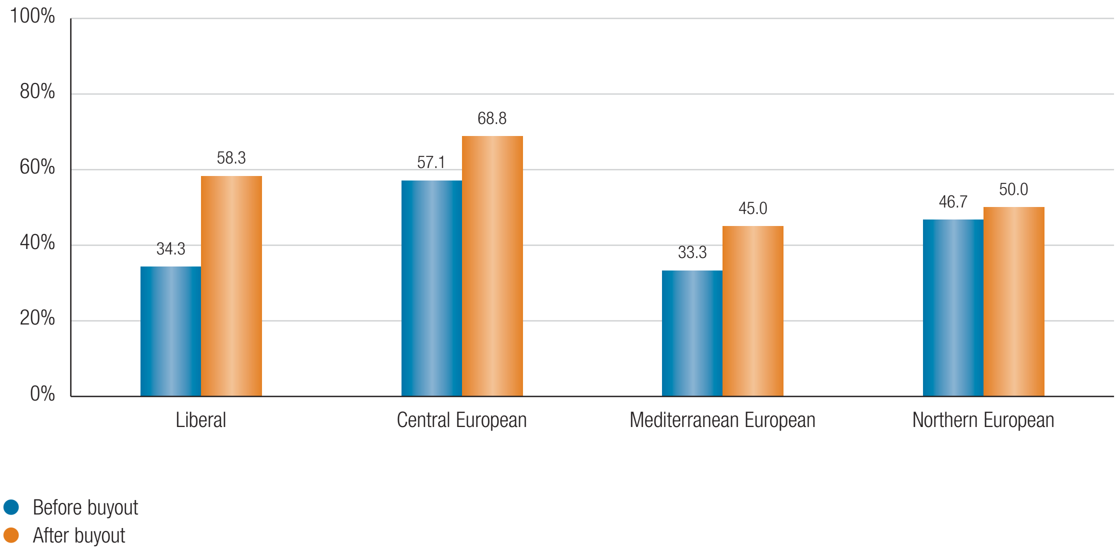
Management/employee committees are more frequently found in Northern and Central European buyout-backed companies and less frequently in their Mediterranean and Liberal counterparts. However, the prevalence and influence of these committees increased the most as a result of the buyout in the Liberal Markets (Figures 22 and 23).

Figure 22: Prevalence of Committees Across Social Models



Source: CMBOR/EVCA 2008

Figure 23: Influence of Committees Across Social Models



Source: CMBOR/EVCA 2008

The increased importance of certain issues was observed only for companies in the Liberal Markets where discussions on employment issues and future plans were regarded as more important after the buyout.

5.4. Effect on the relationship with trade unions across Europe

- In both Northern European and Mediterranean European social model contexts, there was no change in trade union recognition after the buyout (Table 3).

Table 3: Trade union recognition across social models

	Liberal Markets	Northern Europe	Central Europe	Mediterranean Europe
Before buyout	20.7	71.4	43.2	65.8
After buyout	18.1	71.4	40.9	65.8

Source: CMBOR/EVCA 2008
Percentage of companies in each group responding 'yes' to the question of whether trade unions are recognised.

- Differences across social models were also apparent in terms of trade union membership.

  Before the buyout, half of the companies (50%) in the liberal market countries had no trade union members compared to only a fifth of the companies in Central (17.5%) and Mediterranean (16.7%) Europe and less than a tenth of companies in Northern Europe (4.8%)([25]).

  Furthermore, in the majority of Northern European companies (57%), more than half (between 51-99%) of the workforce were trade union members compared to only about a tenth or less in the other social model countries.

  Trade union membership across social models changed little as a result of the buyout.

([25]) Country level data across the European Union shows that in only eight out of the current 27 EU Member States more than half of the employed population are members of a trade union, with shares for the four most populated states being: Italy 30%, the United Kingdom 29%, Germany 27% and France at only 9%. In every EU country outside Scandinavia (except Belgium), trade union membership is either static or continues to decline.
For further details see: http://www.fedee.com/tradeunions.html.

Conclusion

When a company undergoes a private equity-backed buyout, everything from high-level strategy to its day-to-day operational procedures is subject to change.

This study has found that those changes tend to have either a neutral or positive impact on employee relations. This is perhaps unsurprising given that developing a growth strategy (54% of the responding buyout-backed companies) or a combination of growth and restructuring strategies (42% of the responding buyout-backed companies) implies the presence of active employment practices to support those strategies.

Private equity investors have limited day-to-day involvement in employee relations, leaving such operational procedures to the company's management. But at the point of acquisition, private equity firms can have a major impact on how that company engages with its employees in the future. The generally positive response to that engagement found in this study reflects a growing awareness of responsibilities towards this key stakeholder group, as well as making sound business sense. One example of this win-win approach to employee relations is the implementation of high commitment practices, retaining trade union representation and enhancing employee consultation and information procedures.

This study demonstrates that the interests of employees are given the same or more weight under private equity ownership than was the case under the previous owners. For the majority of respondents, private equity investment meant a greater likelihood of access to a corporate pension scheme, higher earnings, more consultation across a number of issues and representation by trade union bodies.

The net effect of private equity investment is to increase employee commitment through financial incentives and greater employee engagement, through regular team briefings, training programmes, and harmonised terms and conditions between management and non-management.

However, national discrepancies are strong and no one should forget the prevalence of the different European social models when analysing and comparing performances of employee relations pre- and post-buyout.

Appendix 1: Analysis of the Representativeness of Surveyed Companies

This chapter profiles the companies that responded to the survey. It analyses the main characteristics of the surveyed companies compared to the features of the full population of European buyouts, to check for the sample's representativeness. In addition, contextual evidence is provided on organisational and business strategies, company performance, the role of private equity partners and the envisaged time for private equity exit. Such characteristics are important because they are likely to impact on employee relations practices.

Representativeness of the sample

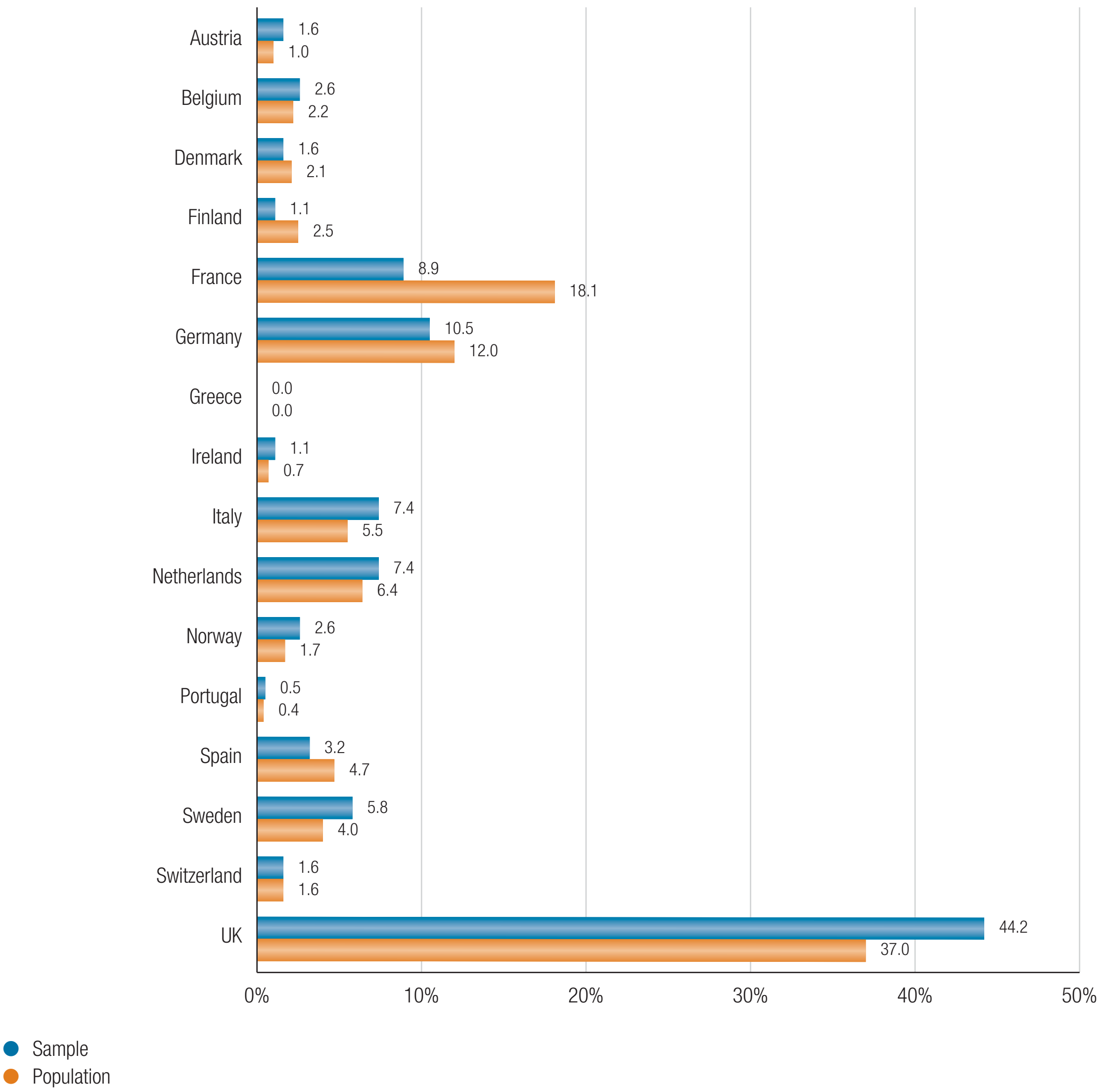
The sample frame used for this survey was private equity backed buyouts from all European countries completed between 2002 and 2006, with more than 50 employees, contained in the CMBOR database. The CMBOR database is the most comprehensive in Europe in this area and contains almost 27,000 buyouts from across Europe completed since the late 1970s. The database includes all buyouts, whether private equity backed or not, and there is no limit to the size of deals recorded. Using this database allows checks of whether the companies surveyed are reasonably similar to and therefore representative of the population of European buyout-backed companies in order to assess the validity of the results.

The representativeness of the sample was assessed using several criteria. The distribution of sample responses was compared to that in the population of private equity backed buyouts contained on the CMBOR database in respect of: country of location of the buyout's head office, industrial sector, deal size, employee numbers, whether the business had been profitable or loss-making at the time of the buyout (profitability), and deal type.

Country of buyout

For most countries, the proportion of companies in the sample represents their distribution in the population (Figure 24). The notable differences are in respect of France which is somewhat under-represented and the United Kingdom which is, to a lesser extent, over-represented.

Figure 24: Responses by country



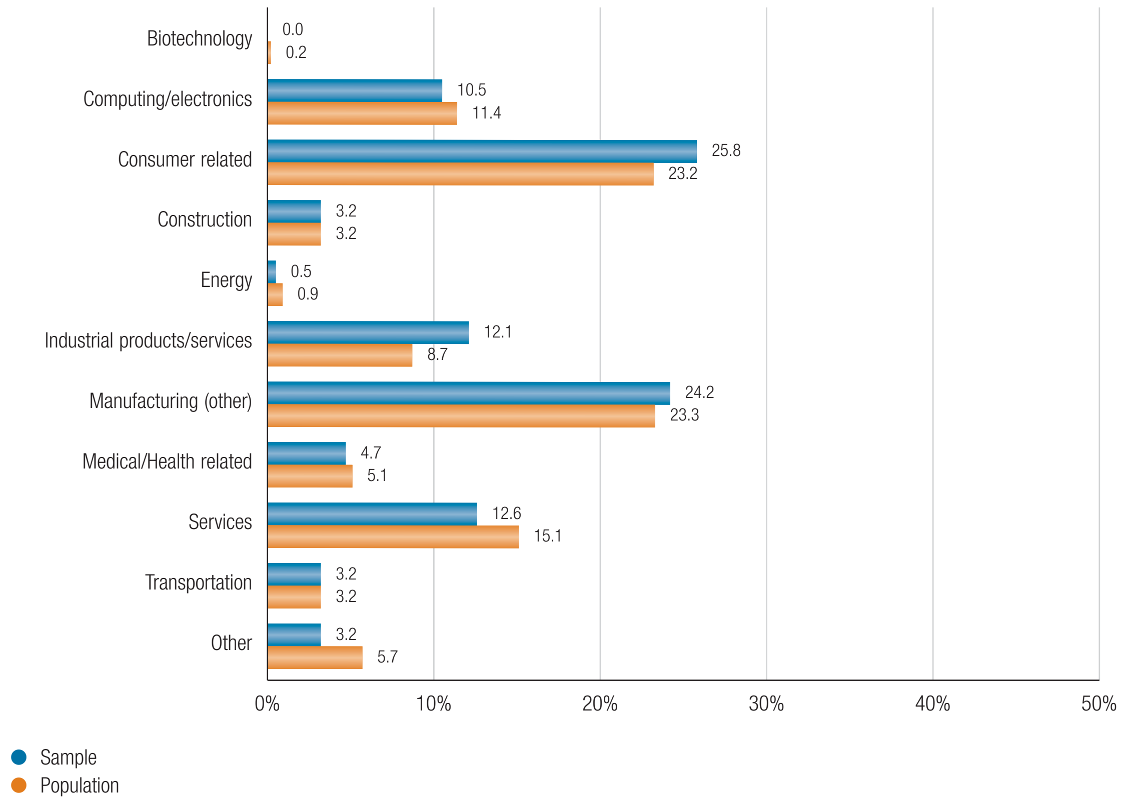
Source: CMBOR/EVCA 2008

Appendix 1: Analysis of the Representativeness of Surveyed Companies

Industry sector

In general, the industrial distribution of the sample reflects that of the population (Figure 25). Industrial products and consumer-related companies are slightly over-represented in the sample while those from the services sector are a little under-represented.

Figure 25: Responses by industry sector



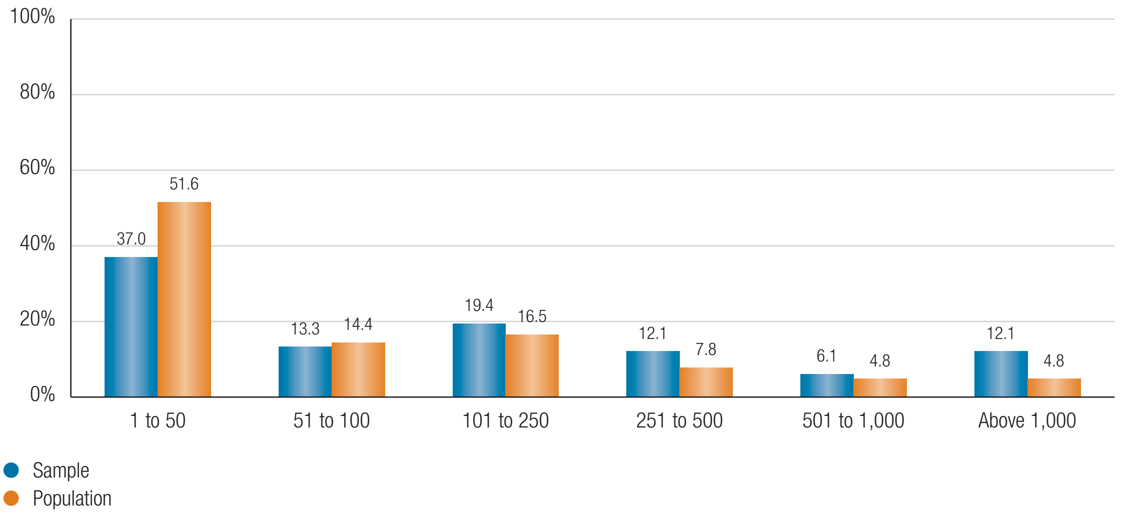
Source: CMBOR/EVCA 2008

Deal size [26]

Medium-sized deals were well represented but there was some under-representation of smaller deals and corresponding over-representation of larger deals (Figure 26).

[26] Deal size = deal value = sum of equity, debt and mezzanine

Figure 26: Deal size (€ million)

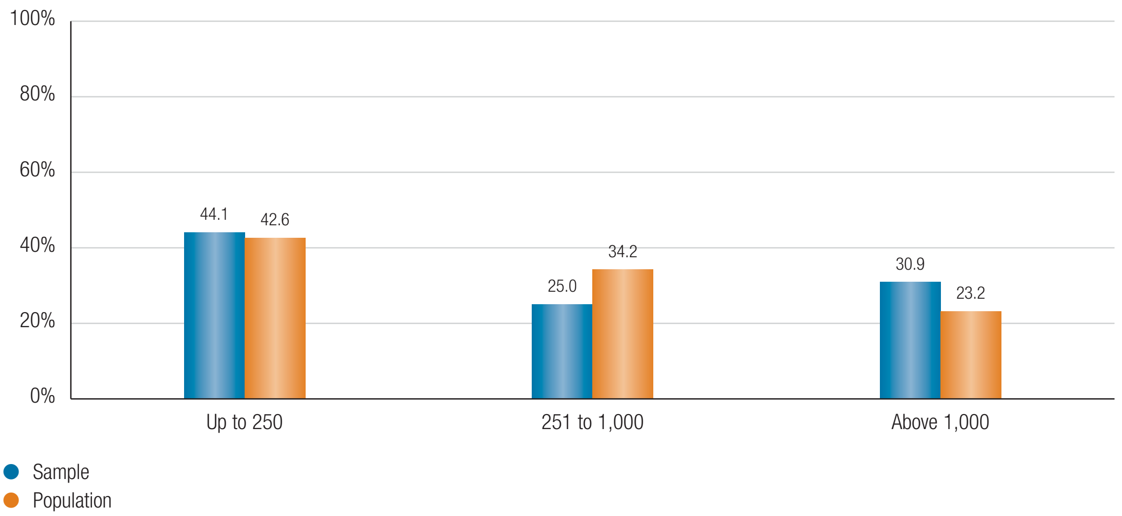


Source: CMBOR/EVCA 2008

Employee numbers

The distribution of companies in the sample in the small (up to 250 employees), medium-sized (251-1,000 employees) and large categories (more than 1,000 employees) was very similar to the distribution in the buyout population on the CMBOR database (Figure 27). However, the sample contained a slightly higher proportion of larger companies and slightly fewer medium-sized companies.

Figure 27: Employee numbers at time of buyout



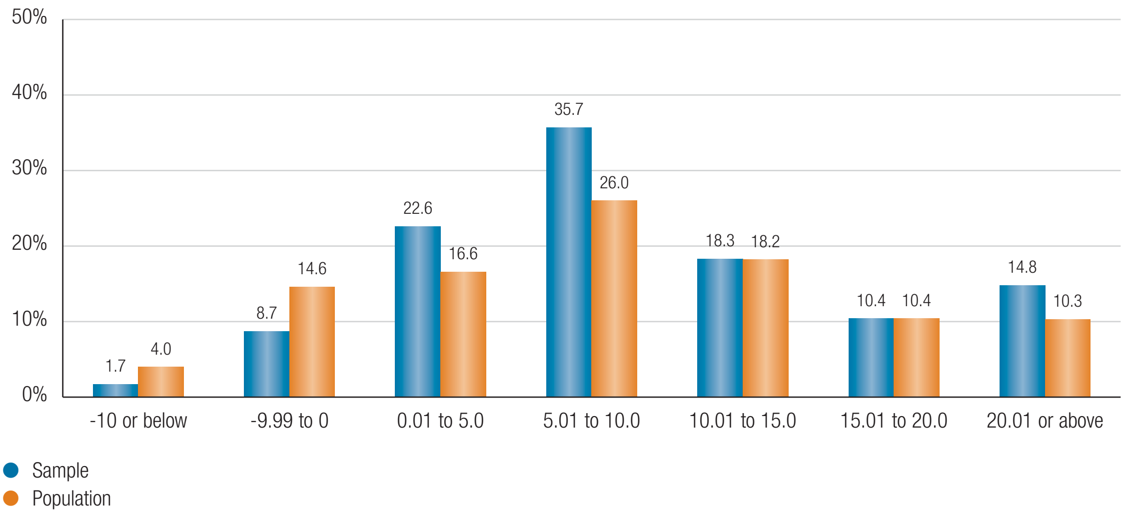
Source: CMBOR/EVCA 2008

Appendix 1: Analysis of the Representativeness of Surveyed Companies

Profitability

The buyout population covers a range of pre-buyout performance levels, from loss-making to highly profitable (Figure 28). The sample responses also include buyouts from across this performance range. The higher performers in the sample with PBIT/turnover ratios exceeding 10% are broadly in line with the population distribution, except for the very high end. Middling performers with a PBIT/turnover ratio between 0-10% are somewhat over-represented in the sample while the poor performers pre-buyout are a little under-represented.

Figure 28: Profitability in year before buyout/in (PBIT/turnover*100)

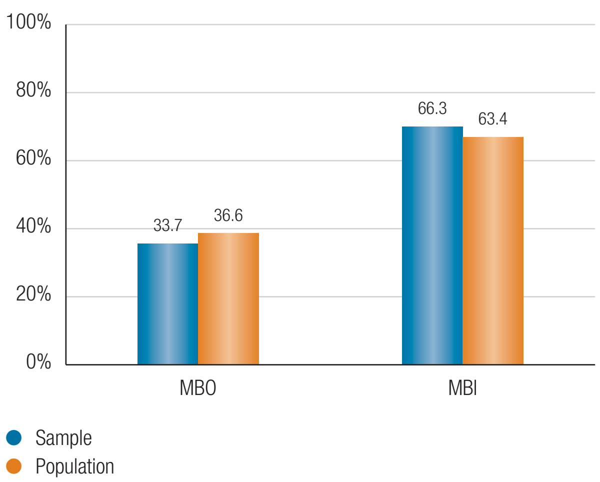


Source: CMBOR/EVCA 2008

Deal type

The distribution of MBOs and MBIs in the sample and population (Figure 29) shows that the sample is a good representation of the population.

Figure 29: Deal type



Source: CMBOR/EVCA 2008

Background information

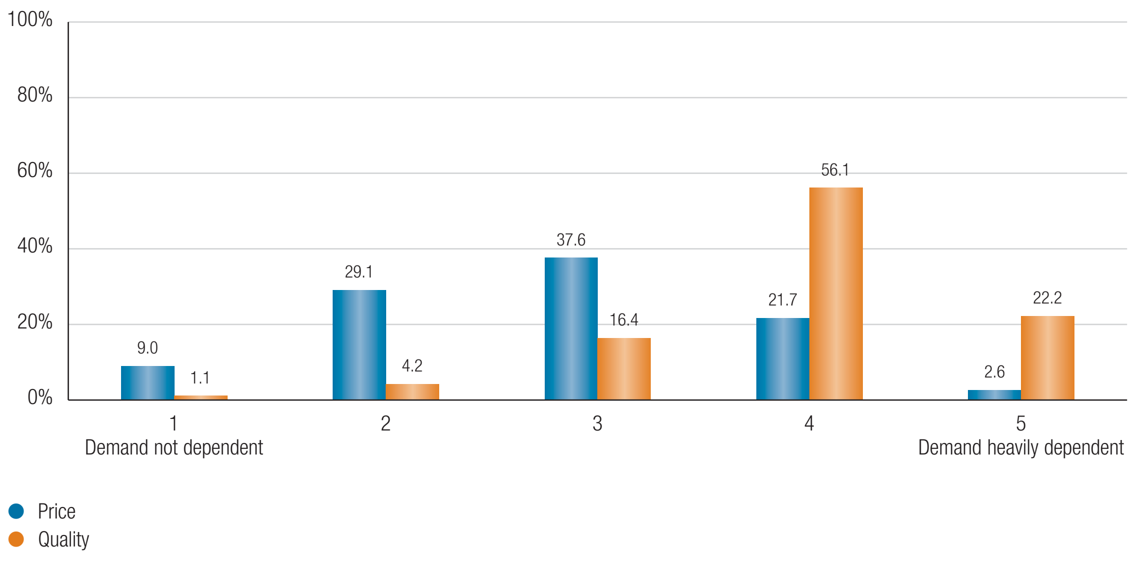
This section provides data on the strategies, revenues, profits and employment as well as findings on the degree and nature of private equity firm involvement and the anticipated timescale to exit for the investee companies in the sample. These findings provide the contextual information for the reported employee relations findings.

Price and quality based business strategies

Previous studies have reported that business strategies in buyouts that focus on the quality of products and services rather than their cost were positively associated with investments in employee relations practices to increase employee commitment ([27]).

Respondents were therefore asked to rate the extent to which demand for their main products or services depended on offering higher quality or lower costs than competitors. Respondents reported that the demand for products/services depends more on quality than on price. 78% of respondents indicated that demand depended on superior quality, with just over a fifth stating that this demand was heavily dependent. In contrast, three quarters of the sample said that the effect of price on demand was either neutral or not dependent (Figure 30).

Figure 30: Price and quality



Source: CMBOR/EVCA 2008
Whether demand depends on quality was measured on a five-point scale ranging from 'Demand does not depend at all on quality' to 'Demand depends heavily on superior quality'. Demand depending on price was measured on a five-point scale ranging from 'Demand does not depend at all on price' to 'Demand depends heavily on offering lower prices'.

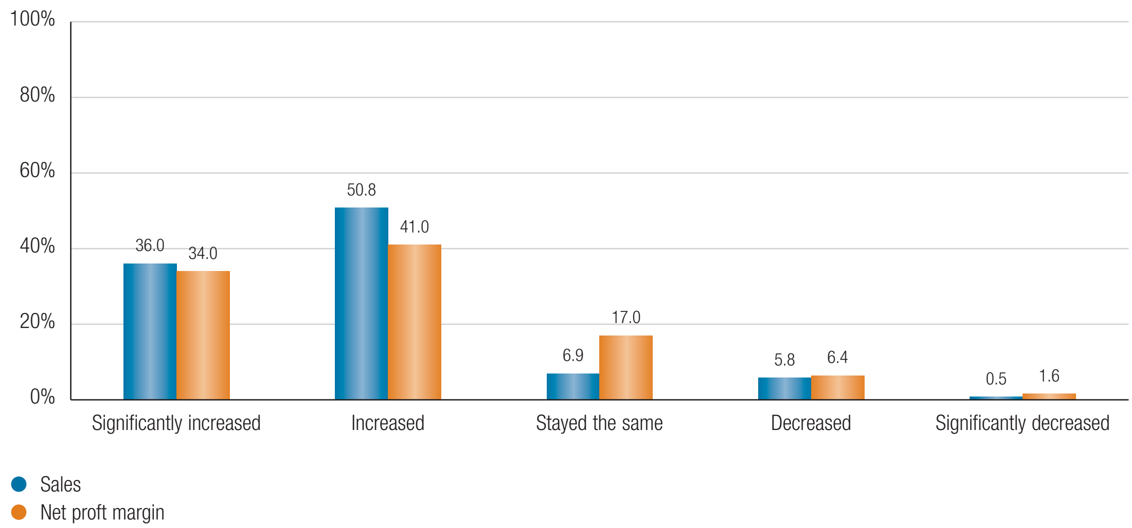
([27]) For details see: Bacon, N., Wright, M., and Demina, N. (2004) 'HRM in Buyouts', *British Journal of Industrial Relations*, 42, 2, 325-348; Bacon, N., Wright, M., Demina, N., Bruining, H. and Boselie, P. (2008) 'HRM, Buyouts and Private Equity in the UK and the Netherlands'. *Human Relations*, 61, 10, pp. 1399-1433.

Sales and net profit margin

The performance of buyouts might also have an important effect on employee relations practices and outcomes. Early surveys of UK buyouts for example, showed that the employment effects varied according to national economic conditions with more than four in ten buyouts reducing employment in the economic recession of the early 1980s, and only one quarter of buyouts reducing employment of those completed in the more buoyant conditions of the mid-1980s([28]).

In this study, most respondents reported positive changes in sales and net profit margin since the buyout, with about 80% indicating an increase in both. Over a third of the sample stated that there had been a significant increase in sales (36%) and net profit margin (34%). Only 6% of respondents indicated that there had been a decrease in sales and only 8% reported a decline in net profit margin (Figures 31 and 32). During this period profitability was relatively buoyant and private equity-backed buyouts seem to have been performing in line with the macro-economic context. These factors are likely to have positive effects on employment practices post-buyout.

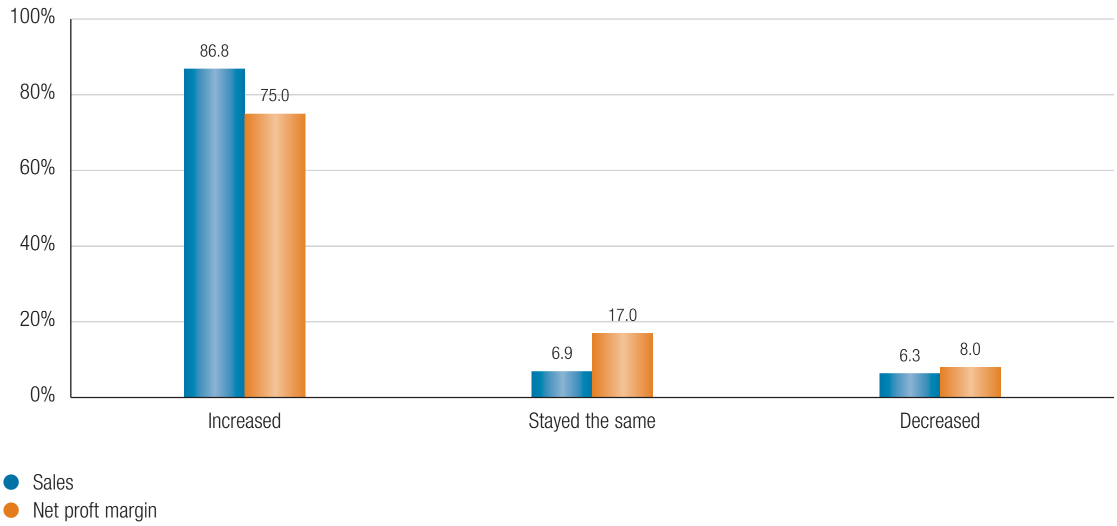
Figure 31: Sales and net profit margin



Source: CMBOR/EVCA 2008
Measured on a five-point scale.

([28]) For a summary see: Wright, M., Bacon, N. and Amess, K. (2008) 'The Impact of Private Equity and Buyouts on Employment, Remuneration and other HRM practices'. *Journal of Industrial Relations,* forthcoming.

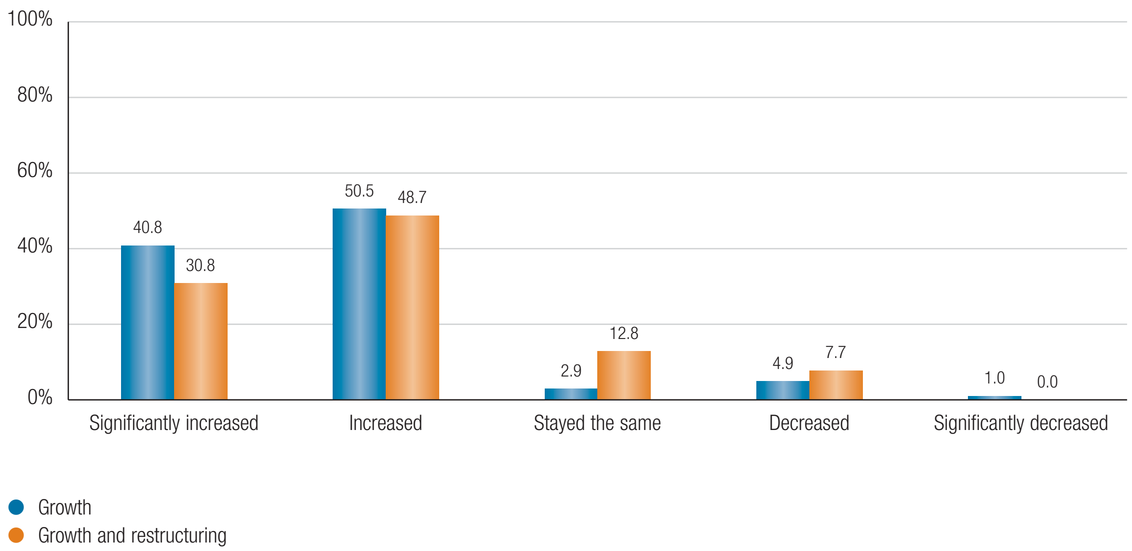
Figure 32: Changes in sales and net profit margin



Source: CMBOR/EVCA 2008
Measured on a five-point scale with 'significantly increased' and 'increased' combined, and 'significantly decreased' and 'decreased' combined.

Sales increased for 91% of the companies whose post-buyout strategy was purely growth and for 80% of the companies whose strategy was a mixture of growth and restructuring (Figure 33).

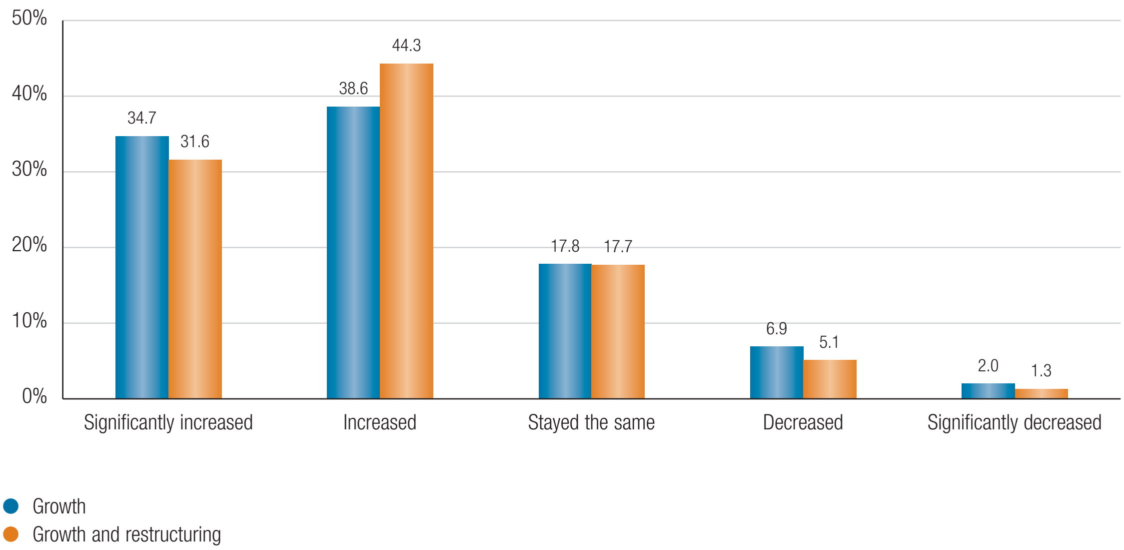
Figure 33: Strategy and sales



Source: CMBOR/EVCA 2008

Profits varied little between companies whose strategy was growth and those with strategies focusing on both growth and restructuring (Figure 34)([29]).

Figure 34: Strategy and profit



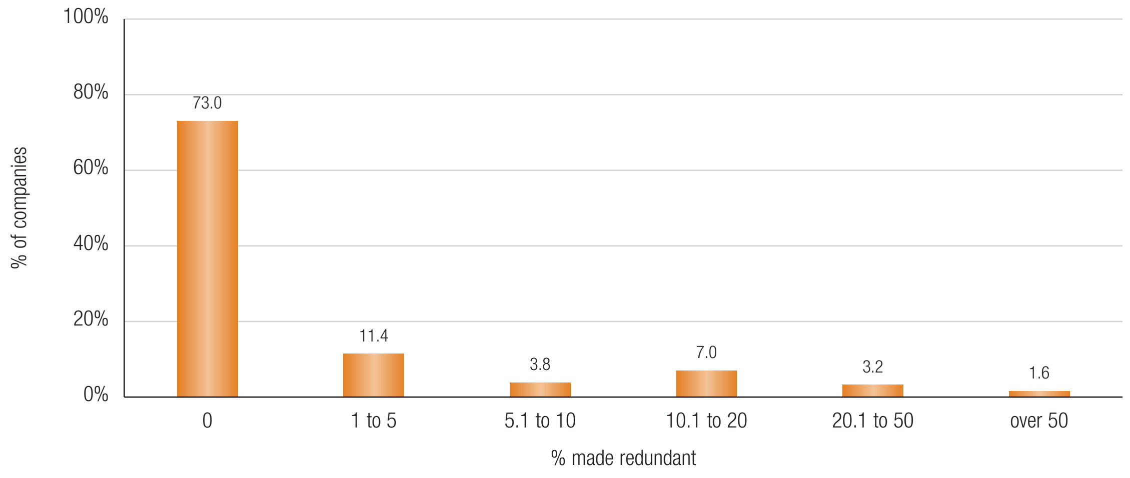
Source: CMBOR/EVCA 2008

Employment

The majority of the sample did not make employees redundant after the buyout (73%) and of those that did, the average percentage of workforce made redundant was 15% (median = 8%) (Figure 35).

([29]) There were too few companies engaged in restructuring only so analysis of opinions on sales and profits would not be meaningful.

Figure 35: Number of redundancies

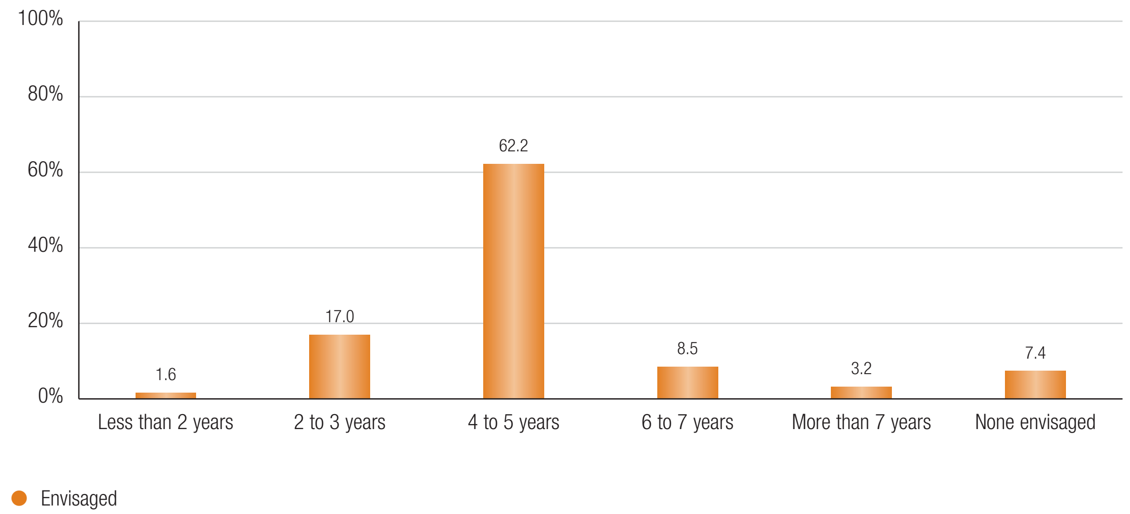


Source: CMBOR/EVCA 2008

Envisaged time to exit/realisation

The final area examined in this section is the exit timetable envisaged by private equity investors as this may affect the degree and speed of changes made to employee relations. The majority of the sample (62%) stated that financiers envisaged exit/realisation 4 to 5 years after the buyout. Almost a fifth (17%) said 2 to 3 years, just under a tenth stated 6 to 7 years (9%) and only a very few (2%) indicated less than two years. No exit was envisaged by 7% of the sample (Figure 36).

Figure 36: Time to exit/realisation



Source: CMBOR/EVCA 2008

Appendix 2: Method

The sample for the survey was derived from the Centre for Management Buyout Research (CMBOR) database, which contains details of over 27,000 management buyouts across Europe. The group of interest was private equity backed buyouts/buyins completed between 2002 and 2006 with more than 50 employees and a transaction value above 10 million euros. The survey was undertaken between January and June 2008.

(1) Questionnaire

The questionnaire was translated into French, German, Italian and Spanish and sent to the companies meeting the above criteria identified using the CMBOR database with help from EVCA's members.

The CEO, or HR Director, was contacted either by email (when possible) or by post. In both cases reminders were sent after two weeks. 190 companies replied out of 2,597 contacted; a response rate of 7.3%.

A pilot was not carried out as the questionnaire had been tested previously by staff at Nottingham University in connection with a different project.

(2) Interviews

To obtain further insights on the HR issues that were difficult to identify in a mailed questionnaire we conducted interviews with a selection of large European investee companies (more than 1,000 employees) identified from the CMBOR database as discussed above and covering a wide range of countries and circumstances. We focused on these larger companies since this is where much of the current debate has been centred and because they are more likely to have structured HR organisations and processes. A number had operations in several countries. The companies selected had different levels of performance leading up to the buyout and varied in the extent of their restructuring and growth experiences afterwards. Sixteen interviews were conducted in total and these companies also formed part of the questionnaire survey sample. The interviews were conducted primarily with the HR Directors or in some cases the CEO. The interviews lasted between one and two hours.

Sources of Information

Consistent with many other employee relations studies, responses were obtained from the key management informants involved in employee relations aspects of the buyout. Although using multiple respondents from the same organisation may reduce response error, using scarce research resources on finding multiple informed raters reduces sample size and we therefore concentrated resources on key informants and a larger sample size.

The vast majority of respondents to the survey were at least at director level, indicating a close familiarity with the issues covered by the survey (Table 4).

Table 4: Respondents

Respondent	No.	%
MD, CEO, President, Chairman	110	57.9
HR Director/Manager	33	17.4
Other senior management	40	21.0
Not specified	7	3.7
Total	**190**	**100.0**

Source: CMBOR/EVCA 2008

A recurrent criticism of surveys based on questionnaires is the so-called survivorship bias. Due to the difficulties in obtaining responses from companies that have failed, the research covers only those companies that have survived at the time of the survey. It is arguable that companies that have failed, with or without private equity investors as shareholders, would have more tense employee relations. Further research could be undertaken to assess whether private equity backed companies present a different profile from other companies in the management of bankruptcy.

The focus of this study was on changes in employee relations following a private equity backed buyout across Europe. Direct comparisons with other available studies on changes in employee relations in non-buyouts have been minimised since, in our view, these are likely to be problematical for a number of reasons. First, some available surveys do not cover the whole of Europe but rather a single country with potentially different sample compositions. Second, the studies that are available on a cross-European basis are generally problematical with respect to the reliability of their measures and samples. Third, a fundamental problem when analysing the consequences of the ownership change involved in private equity buyouts is in establishing the counterfactual. Investee companies that experience ownership change are not randomly selected from the population[30]. For instance, companies might be subject to buyout because they over-employ and/or make extra-marginal wage payments that are identified as sources of organisational inefficiency. However, where appropriate and feasible, qualitative contextual comparisons with other studies have been made.

[30] Amess, K., Girma, S. and Wright, M. (2008) 'What are the Wage and Employment Consequences of Leveraged Buyouts, Private Equity and Acquisitions in the UK? CMBOR Occasional Paper.

Appendix 3: Sample Details

Table 5: Questionnaire responses by country

Country	Population No.	Population %	Sample No.	Sample %
Austria	25	1.0	3	1.6
Belgium	58	2.2	5	2.6
Denmark	55	2.1	3	1.6
Finland	64	2.5	2	1.1
France	471	18.1	17	8.9
Germany	312	12.0	20	10.5
Greece	1	0.0	0	0.0
Ireland	17	0.7	2	1.1
Italy	144	5.5	14	7.4
The Netherlands	167	6.4	14	7.4
Norway	43	1.7	5	2.6
Portugal	11	0.4	1	0.5
Spain	123	4.7	6	3.2
Sweden	104	4.0	11	5.8
Switzerland	42	1.6	3	1.6
The United Kingdom	960	37.0	84	44.2
Total	**2,597**	**100.0**	**190**	**100.0**

Source: CMBOR/EVCA 2008

Appendix 4: Glossary of Terms

• CMBOR	Centre for Management Buyout Research. www.cmbor.com
• European Works Council	A statutory committee in which managers consult with employee representatives in companies with employees across EU Member States.
• EVCA	European Private Equity and Venture Capital Association. www.evca.eu
• Formal grievance procedure	A grievance procedure allows employees to make complaints to, or raise problems with, their employer.
• Harmonised terms and conditions	Moving different grades of employees onto the same terms and conditions of employment.
• High commitment practices	Human resource practices that when used together are positively associated with higher levels of firm performance by enhancing the abilities, motivation and opportunities for employees to contribute at work.
• Joint consultative committee	A committee in which managers consult rather than negotiate with employee representatives.
• Large companies	Companies with over 1,000 employees.
• Medium-sized companies	Companies with between 251 and 1,000 employees.
• Merit-based pay	Pay is based on a subjective assessment of individual performance by a supervisor or manager.
• Payment by results	Pay is determined by the amount of work done or its value, rather than just the number of hours worked, typically bonuses or commission.
• Profit-related pay or bonuses (PRP)	Pay is based upon meeting profit-related targets. Profit-related pay may be calculated for the organisation as a whole, a division of the organisation or the workplace.
• Real earnings	Earnings adjusted for changes in inflation.
• Severance package	A severance package includes pay and benefits an employee receives when they leave employment at a company. Typically, severance packages are determined based on company policy, employee tenure and service, and circumstances of termination. In addition to the employee's remaining regular pay, it may include an additional payment based on months of service, payment for unused vacation time or stock options. Severance packages are most typically offered for employees who are laid off or retire, although severance pay is not provided in all termination situations.
• Share ownership	Employee share ownership schemes include tax advantaged schemes where companies give employees free shares or employees purchase shares, employees save from salary to purchase the employer’s shares, and share option schemes.
• Small companies	Companies with between 1 and 250 employees.

Appendix 4: Glossary of Terms

• Social models:	
- Liberal Market economies	Ireland and the The United Kingdom
- Northern Europe	Denmark, Finland, Norway, Sweden
- Central Europe	Austria, Belgium, Germany, The Netherlands, Switzerland
- Mediterranean Europe	France, Italy, Portugal, Spain
• Tariff Agreements	Tariff Agreements are reached in Germany following collective bargaining at sectoral level between employers' organisations and unions.
• Works council at establishment level	A committee of managers and employee representatives with a statutory role in many EU countries.

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