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# **The EWC as a management tool to divide and conquer: corporate whipsawing in the steel sector**

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## **Abstract:**

In large, highly internationalized companies, local sites of production have to contribute to the competitiveness of the corporation while decision-making is directed ever further away from their influence. The article examines how inter-plant competition, called management whipsawing, has changed at the transnational steel company ArcelorMittal over twelve years. We take an explicitly Gramscian perspective, as we study the role of coercion and consent in the staging of inter-plant competition. We base our analysis on forty-five qualitative interviews with company managers and employee representatives in Spain, Germany, Belgium and Luxembourg, carried out in two phases, from 2004 to 2006 and 2014 to 2016. We aim to understand how management can integrate central arenas for employee involvement into their strategies with regard to inter-plant competition. A central finding of our longitudinal case study is that the European Works Council (EWC) is essential in the construction of employee consent to labour competition.

## **Keywords:**

MNCs, EWCs, Employee Participation, Management, Competitiveness, Corporate whipsawing

## **Introduction**

The globalization of markets and enterprises has long constituted a source of major concern for national labour movements and industrial relations scholars (Hyman, 1975; Levinson, 1972; Marginson, 2016). The rise of transnational corporations (TNCs) has increased the distance between the corporate power centre, where all core decisions are taken, and the individual workplace. Local production sites have to contribute to the competitiveness of the TNC while decision-making is directed ever further away from their influence. Managerial practices and narratives significantly determine the competitive relationship between production sites. Management exerts direct pressure through ‘coercive comparisons’ (Marginson et al., 1995) related to relocation threats, forcing local workforces to grant concessions. Theoretically-informed research to explain how management stages transnational labour competition remains scarce, with the important exception of Greer and Hauptmeier’s (2016) study of corporate whipsawing in three large automotive companies. Theirs is one of a small number of pioneer studies that have integrated management choice and discourse into the study of labour competition. In such agency-focused research, the concept of ‘corporate whipsawing’ replaces the widely used term ‘inter-plant competition’ and is understood as a conscious management strategy rather than a structural condition (Almond and González Menéndez, 2014; Greer and Hauptmeier, 2016; Sisson, 2013; see also Almond and Ferner, 2006).

This article examines labour competition at ArcelorMittal, a large European TNC from the steel sector that is the outcome of several mergers and acquisitions in the past, most notably among them the takeover of Arcelor by Mittal Steel in 2006. The social phenomenon under research is corporate whipsawing, or the staging of inter-plant competition by management. The aim of the research is to enhance our conceptual understanding of labour competition in the TNC through the application of a Gramscian theoretical lens. Post-merger companies are especially interesting as research sites to study the changing nature of management strategy. It is in management’s central interest to ensure employee co-operation during periods of major corporate mergers while also making use of opportunities to reconstruct the conditions of production and employment in the company (Edwards, Lipponen, Edwards and Hakonen, 2017). In an application of the whipsawing typology developed by Greer and Hauptmeier (2016), we observe that management strategies at ArcelorMittal have developed from predominantly rule-based whipsawing to genuinely hegemonic whipsawing, over a period of twelve years. The evidence for this research derives from forty-five qualitative interviews with

company managers and employee representatives in Spain, Germany, Belgium and Luxembourg, carried out in two phases, from 2004 to 2006 and 2014 to 2016.

Our longitudinal qualitative case study contributes to the existing literature with an explanation of how management's interpretation of external market conditions and the design of employee involvement institutions solidify hegemonic whipsawing in the TNC. We explore how management constructs and institutionalizes hegemonic whipsawing in ways that are empirically distinct from those examined in existing studies (Almond and Ferner, 2006; Greer and Hauptmeier, 2008, 2016; Knirsch, 2013). The most important empirical findings regard the role of employee involvement at European level in the staging of labour competition. European Works Councils (EWCs) constitute the most developed arena for transnational employee involvement but rarely succeed in bridging the divide between workers and corporate decision-making (Hann, Hauptmeier and Waddington, 2017; Köhler, González Begega and Aranea, 2015). Many studies have examined the divergent strategies trade unions adopt towards EWCs (Timming, 2010; Waddington, 2011). Research about the role of EWCs in management strategy remains limited in comparison (Waddington, Pulignano, Turk and Swerts, 2016). In our case study, decision-making power in the ArcelorMittal EWC rotates between national representatives, which we interpret as an institutionalization of competition in everyday EWC-practice. This occurs against the background of coercive management benchmarking at local level.

The following section describes our conceptual framework, which integrates the Gramscian concepts of hegemony, coercion and consent into a theory of whipsawing. The main benefit of a Gramscian perspective in the study of employment relations lies in its class-sensitive conceptualisation of power and domination in the global firm, beyond a dichotomous national-global divide. We then briefly present our application of Burawoy's (2009) extended case method in our study of ArcelorMittal across three countries and over the period of twelve years. The section depicting our empirical findings identifies the changing nature of European employee participation in the company as a central factor to explain changes in management whipsawing, while also accounting for the influence of external market conditions and the organization of production. In the discussion of our findings, we argue that whipsawing becomes truly hegemonic when management effectively uses both the organization of production and employee involvement as strategic tools to legitimize and institutionalize labour competition. We conclude that the academic field of employment relations would benefit from further research on how company management constructs internal hegemony, and

on how the internal organization of power relations solidifies the TNC's external role as economic and political player.

### **Management whipsawing in TNCs**

Whipsawing as a social practice generally means that one actor pits at least two other players against each other to gain concessions from both and was first identified in trade union rather than management strategies (Heery and Noon, 2008). In the context of increasing global competition and volatility of capital and production, power has shifted to the employer side and workers find themselves living in the age of insecurity (Moody, 1997; Webster, Lambert and Bezuidenhout, 2008). The effective use of whipsawing strategies by management has increasingly gained the attention of scholars relative to concession bargaining as a union strategy. Our analytical framework is strongly inspired by Greer and Hauptmeier's (2008, 2016) work on labour competition who identify significant variations in whipsawing practices between companies and over time. Greer and Hauptmeier (2016) distinguish between four types of management whipsawing: informal, rule-based, coercive and hegemonic. The authors provide a thorough empirical basis for their proposed concepts, comparing whipsawing practice at three large automotive companies over three decades. They explain differences over time and across cases as based on two main factors: managers' structural whipsawing capacity and their general HR or labour relations strategy (Almond and González Menendez, 2014; Knirsch, 2013; Vidal, 2013).

According to Greer and Hauptmeier (2016), informal whipsawing avoids direct threats against specific production sites while arguing for ongoing improvements in the company's general competitiveness. Informal whipsawing takes place when both structural whipsawing capacity and employee involvement are at relatively low levels. Rule-based whipsawing applies formal standards to regulate the competition between plants and is co-operative in nature. This second stage of whipsawing occurs in a context of medium structural whipsawing capacity and medium employee involvement. Coercive whipsawing constitutes a confrontational strategy, which includes specific, credible relocation threats. Reliance on pure coercion occurs when structural whipsawing capacity is high and employee involvement is low. Hegemonic whipsawing becomes evident in a context of high structural whipsawing capacity and high employee involvement. This type of whipsawing relies on a shared management-labour discourse that justifies inter-plant competition. Greer and Hauptmeier (2016: 45) identify the

use of hegemonic whipsawing at Volkswagen in the early 2000s when employee representatives “tolerated whipsawing because they shared management’s view of a highly competitive product market in which the survival of the company was at stake”. Therefore, according to Greer and Hauptmeier (2016: 35), hegemonic whipsawing “only occurs when labour is extensively integrated into management decision-making processes”.

Our analysis goes beyond existing research on labour competition as we look at the explanatory variables suggested by Greer and Hauptmeier (2016) through a Gramscian theoretical lens. While not explicit, the influence of the Italian political economist Antonio Gramsci is evident in the construction of the four whipsawing categories. Gramsci (1971) intertwines coercion and consent as complementary, not contradictory forces of control (Burawoy, 2003: 214-215). Hegemony consists of some economic forcing (or coercion), a certain degree of political (rule-based) control and some supporting (informal) social norms (Cox, 1993: 62). The distinction between the four whipsawing categories proposed by Greer and Hauptmeier (2016) is generally not clear-cut but fuzzy at the edges, as management strategy tends to evolve from one whipsawing practice into another. We therefore understand different whipsawing types as consecutive stages of management hegemony. Gramscian accounts of power are largely absent in employment relations research but have fruitfully informed the field of international political economy (Cox, 1993; Gill, 1993; Scherrer, 2001; Schulze-Cleven, 2017; Streeck, 2017).<sup>1</sup> An exception here is Burawoy’s (1979) micro-political study of management hegemony at shop-floor level.

#### *Structural Whipsawing capacity: turning market constraints into management opportunity*

The first factor underlying whipsawing patterns, structural whipsawing capacity, is related to the nature of production and markets. Management’s capacity to exercise labour competition is low under conditions of high demand and matching supply, when plants are operating at full capacity and standardization of production is low. A changing market setting, for example a slope in demand or a rise in global competition, leads to higher whipsawing capacity as management may attempt to lower production cost via labour concessions. Management enjoys medium whipsawing capacity if market conditions incentivize whipsawing but standardization

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<sup>1</sup> For a rich historical overview over the evolution of the concept of hegemony in the field of international relations, see Anderson, 2017.

of production is low, or vice versa (Greer and Hauptmeier 2016). Other authors have previously developed similar structural opportunity structure maps to explain broad variations in TNC strategies over time (Bair and Ramsay, 2003; Edwards and Bélanger, 2009). Such structuralist approaches are inherently blind to agency. From a Gramscian perspective, economic conditions are never solely constraints for companies but can be turned into opportunities for management to pursue one or the other strategy. For management, external market forces translate into discursive power resources vis-à-vis labour and other stakeholders. Management's interpretation of the market situation re-enforces their dominant ontological status in the contested social world or of the TNC (Edwards and Bélanger, 2009).

Research on how management uses narratives as a power resource to counteract labour power is still scarce but points towards the importance of corporate narratives. Vaara and Tienari (2008) show that apparently rational company benchmarking is based not so much on robust economic data but most strongly on a managerial legitimization discourse. Global competition, once accepted as a legitimate principle for all economic activity, legitimizes unpopular changes in the organization of production, as the company needs to beat competitors in the race for optimization (Streeck, 2009: 243). Hegemony requires the translation of ideas into institutionalized practice (Hauptmeier and Heery, 2014). To this end, management needs to integrate the global competitiveness narrative (Krugman, 1994; Streeck, 2009) into corporate structure. TNCs do this for example through 'divisionalization': "the company is divided into a number of semiautonomous business divisions that operate as individual profit centres" (Sisson, 2013: 19). Management then further institutionalizes competition between sites in the form of a fixed benchmarking system that allows for "coercive comparisons" (Marginson et al., 1995). Headquarters' management centrally organizes budget allocation to business divisions and plants, in effect "shifting resources to and from the divisions depending on achievement of key performance indicators" (Sisson, 2013: 19).

#### *Employee involvement: EWCs between co-operation and competition*

Greer and Hauptmeier (2016) propose management's general labour relations strategy as a second explanatory variable, for which the authors broadly distinguish between more co-operative and more adversarial management attitudes towards employees. The different scales applied to the two explanatory variables (ordinal low-to-high scale versus dichotomy) make it difficult to combine them for analytical purpose. Rather than labour relations strategy, we prefer to use the term employee involvement. This allows for an ordinal operationalization (a

low-to-high scale) that parallels the first explanatory variable. The nature of the explanatory factor remains unchanged: employee involvement is lower in a company with a labour strategy that emphasizes forcing than in a company that relies strongly on social partnership with labour. We take the scale of EWC activity as a means to assess employee involvement. EWCs are widely considered the principal arena for transnational worker participation, with substantial information and consultation rights for employees (Hann, Hauptmeier and Waddington, 2017). They are equipped with a sound legal basis compared to other transnational arenas such as global framework agreements or trade union networks and thus constitute a solid measure for the level of transnational employee involvement in a company.

The academic desire to compare the quality of European worker participation has motivated the development of various EWC typologies over the past twenty years (Lecher et al., 2001; Müller, Platzer and Rüb, 2004; Pulignano and Kluge, 2012; Schulten, 1996; see also Gold, 2003: 58). Lecher et al. (2001), based on Platzer and Rüb (1999) distinguish between symbolic, service-provider, project-orientated and participatory EWCs. The symbolic EWC is formally existing but largely inactive in practice. The EWC as a service-provider is a useful platform of information for employees but heavily depends on management for any further activities (Rüb, Platzer and Müller, 2004: 94). A project-orientated EWC develops own initiatives independent of management. The participatory EWC actively articulates employee interest and carries out direct negotiations with management. The EWC typology provides for an adequate operationalization of employee involvement, as its ordinal nature mirrors the high-low scale of the first explanatory variable, structural whipsawing capacity. A symbolic EWC indicates very low worker participation levels; while service-providers or loosely project-orientated bodies correspond to medium involvement and project orientated or participatory EWCs indicate high involvement.

Gramscian theory can help employment relations scholars gain a better understanding of EWCs' role in the staging of labour competition. In Gramscian terms, hegemony is established and upheld through an ongoing process of co-optation of subordinate classes into the rule of privileged classes (Gramsci, 1971; see also Burawoy, 2003: 216 and Cox, 1993: 55). Employee involvement is central for the construction of consent. Based on their analysis of hegemonic whipsawing at Volkswagen, Greer and Hauptmeier (2016: 45) argue that labour representatives have adopted management arguments mainly because benchmarking rules and competitive necessities were explained in-depth to employee representatives who were involved extensively at board-level, at the EWC and at the company's World Works Council. At

Volkswagen, employee involvement and hegemonic whipsawing are closely linked. The literature generally considers the Volkswagen EWC to be an exceptional participatory body. The VW headquarters management “took the EWC and World Works Council meetings seriously” and participated directly in order to convince labour “of the need to increase productivity and stay competitive” (Greer and Hauptmeier, 2016: 45). The hegemon gains a privileged ontological status over other actors when hegemonic ideas become “embedded within formal institutions” (Hauptmeier and Heery, 2014: 2485).

“[T]he normal exercise of hegemony (...) is characterized by a combination of force and consent which balance each other, so that force does not overwhelm consent but appears to be backed by the consent of the majority.” (Gramsci, 1971: 59, cited in Anderson 2017: 20)

### **The extended case method**

The article aims to explain changing whipsawing patterns at ArcelorMittal through the analysis of changes in management’s whipsawing capacity and employee involvement over time. We have selected ArcelorMittal as our case study because of its truly global organizational character and its central position in steel making, being both a major employer and the biggest producer in Europe. The emergence of ArcelorMittal out of several mergers and acquisitions has resulted in a truly transnational management structure. The company’s European workforce was reduced significantly between 2007 (130,000 employees) and 2015 (86,000 employees) (ArcelorMittal, 2015). No national group of employees holds exclusive access to central management. The operational headquarters in Luxembourg is under tight control by the biggest single shareholders – the Mittal family trust – who operate from London. No single national group of managers holds power and influence comparable to that of the Mittal family as owners and managing directors of the company. Management has clustered production sites in business units rather than country groups. The study of management whipsawing in this unique transnational corporate context generates new insights into the construction of corporate hegemony.

The methodology applied situates itself within the broad tradition of reflexive sociology and global ethnography (Burawoy, 2009; Burawoy et al., 2000; Webster, Lambert and Bezuidenhout, 2008). Burawoy’s (2009) extended case method includes four types of extension. Firstly, the observer extends him- or herself into the lives of social actors under

study through participant observation. This first type of extension lies at the heart of ethnographic research but poses certain challenges when the research concerns power games between actors in the TNC. Neither management meetings nor EWCs are directly observable to researchers because of confidentiality rules in place (Timming 2010). Our extended case study of ArcelorMittal draws on Burawoy's ethno-methodological foundations but is not ethnographic in a narrow sense. We did not carry out participant observation. We collected the data for our case study via expert interviews with ArcelorMittal EWC members and company management who hold exclusive knowledge as participants in the management of production or in corporate employment relations. We complemented the fieldwork with a desk analysis of corporate reports and trade union statements.

Our fieldwork extended over three countries and twelve years, reflecting Burawoy's (2009: 76) second extension of observations over time and space, with the aim of identifying variation in both dimensions. In the course of two separate but thematically related PhD projects, we carried out two in-depth case studies of ArcelorMittal with slight variations in the research questions and respondent selection, while maintaining a consistent methodology. We selected interview respondents from three European countries (Belgium, Germany and Spain) that account for relatively large parts of the company's European workforce, with between 4000 and 10,000 employees each. Most of our forty-five in-depth interviews were carried out in respondents' native language, either by the researchers alone (in Spanish, German or English), or with the help of an interpreter (for French and Flemish) and lasted on average for about one hour. Guiding questions for the semi-structured interviews focused on the distribution of production among sites, the relation between management and employees and the quality of European employee involvement through the company EWC.

Our two fieldwork phases both included various interviews with workers' EWC delegates. We also interviewed local site managers to understand how the company organized inter-site competition at different points in time, and European HR managers in order to assess the company's changing labour relations strategy as carried out through the EWC. Our first visit to the field took place between 2004 and 2006 and consisted of twenty semi-structured in-depth interviews in total. These included fifteen interviews with employee representatives in Germany, Belgium and Spain, all of whom were at the time of interviewing members of the Arcelor EWC. During this first fieldwork phase, we carried out five interviews with HR managers in Germany, Belgium and at the company's headquarters in Luxembourg. Our revisit, or second phase of qualitative fieldwork, took place between 2014 and 2016 and

consisted of a total of twenty-five in-depth interviews. Interview respondents included fifteen current or former members of the ArcelorMittal EWC from Germany, Belgium and Spain, six external trade union representatives involved in the company's European employment relations (one each from Germany and Spain, two from Belgium and two from the European trade union *industriAll*) and one HR manager at the corporate headquarters in Luxembourg.

Applying our theoretical framework, we are able to extend the case from micro-political processes reported by interviewees to macro-political forces active in company management. In this analytical step, we apply Burawoy's (2009) third extension, which demands the use of theory in order to connect micro processes to macro forces. Our data analysis identifies significant changes over time in management whipsawing patterns, as well as differences between local and transnational whipsawing practices. The changing corporate strategies with regard to the staging of labour competition can be explained by variations over time in management's structural whipsawing capacity, and in the company's employee involvement practice. We analyse how the corporate organization of production and employee involvement at transnational level stabilizes hegemonic whipsawing. The final extension proposed by Burawoy (2009) is to extend theory based on empirical findings. We put the analysis of our longitudinal data into a critical engagement with Greer and Hauptmeier's (2016) hegemonic whipsawing concepts and propose a more thorough integration of the Gramscian concepts of coercion and consent into a theory of whipsawing.

### **Labour competition at Arcelor (2002-2006) and Arcelormittal (2006-2016)**

In 2002, Luxembourg's steel company Arbed merged with the French Usinor and the Spanish Aceralia to form the then biggest European steel maker. The new company was named Arcelor and soon began various national and local restructuring and staff adjustment programs in order to become a unified corporate entity and exploit synergies. The varied product portfolio of Arcelor, with many specialized high-quality products, limited management options for labour competition. Cost-cutting measures were difficult to justify as the sheer size of the company resulted in greater control over suppliers. The increase in Chinese competition created some pressure on workers but was not of dominant influence at the time. The workforce was naturally critical about restructuring and attempted to influence the process at local production sites, with varying degrees of success (Köhler, van den Broek and Martín Mendez, 2006). This local dialogue took place in a context of increasing centralization of decision-making and increased

headquarters control over local processes (González Begega, 2011: 155). Inter-plant competition became an integral part of Arcelor's management strategy while HR management remained relatively autonomous.

“The ‘Arcelor effect’ meant that natural resource prices could now be negotiated from a much stronger position.” (Former Arcelor manager, 2016)

“Decision-making is very much centralized. HR management still enjoys considerable freedom compared to other company areas, although with certain limits, as we are also subject to sophisticated and expanding reporting duties.” (German HR Manager, 2005)

“Arcelor management is playing us workers off against one another.” (German EWC member, 2006)

The Arcelor EWC brought together employee representatives from six Western and South European countries to discuss the state of the company with central management. Management provided the EWC with information in a timely and reliable manner. Given the increasing centralization of decision-making in an ever-bigger TNC, EWC representatives sometimes felt better informed by headquarters than their local plant managers. Employee representatives reported a strong feeling of competition among plants but notions of trust and co-operation increased among EWC members during the first years of regular meetings and an active core group of representatives started regular informal exchanges. When the Anglo-Indian steel company Mittal Steel launched a hostile takeover bid for Arcelor in 2006, company management and trade unions aligned in their rejection of Mittal Steel. Employees issued a joint EWC declaration against the takeover bid, which exemplifies labour's ability to come together in an act of solidarity despite uncertain prospects and a general competitive atmosphere. German employee representatives expressed mixed expectations related to the takeover bid by Mittal Steel but the German union IG Metall decided not to contradict the agreed trade union line of collective rejection against the takeover.

“Initially the EWC was disappointing (...) as there were no unified positions. Everyone just concentrated on protecting his (plant) interest. I believe that has changed now. For example, we have extended the duration of the chairmanship from one to two years, now that trust among different countries has grown.” (German EWC member, 2005)

“We have a tradition of social dialogue. We have difficult discussions but we trade unions can to some degree influence management plans in our role as social partners.” (Belgian employee representative, 2005)

“We decided for an EWC declaration against this hostile takeover but really it is difficult to predict the implications of such a takeover for each production site. (...) We definitely see many risks but there is also considerable potential in this.” (German EWC member, 2006)

The Arcelor management staged labour competition with a view to ensuring fair rules, employee involvement and social responsibility. Employee representatives would challenge some business decisions and demand the consideration of alternatives, which management evaluated positively. Employee representatives interviewed between 2004 and 2006 criticized the increase in benchmarking but positively recognized management’s willingness to explain and discuss unpopular restructuring measures, both at European and at plant level. Rational economic and efficiency arguments always accompanied demands for labour concessions, creating both credible threats and positive future prospects. Management exerted intensive pressure on sites they considered to be logistically disadvantaged. Then Arcelor CEO Guy Dollé labelled some German production sites as unprofitable ‘dry sites’, given their lack of direct access to sea ports. For the Arcelor management board, only the so called ‘wet’ sites, situated in immediate proximity to shipping ports, were operating sustainably in the long term. Predominantly due to shareholder pressure, Arcelor was forced to accept the takeover bid from Mittal Steel in late 2006. Considerations over ‘dry’ and ‘wet’ locations were not pursued by the new management under the new CEO Lakshmi Mittal. Since the takeover, some plants formerly threatened with closure have received positive signals from management including significant investments.

“I had to meet with trade unions to explain management plans. Not to convince them – because you can never actually convince them – but for them to understand that we did not decide things on a whim. (...)When you need to close a production site, you explain why. (...) With this kind of dialogue we generated trust. This was very important for me. (Former Arcelor manager, 2016)

“At Arcelor, in 2003, management considered our production site to be a ‘dry’ location. So it was to some extent put in question as a steel producing location. (...) After the acquisition by Mittal, it was re-defined as a profitable site that was worth keeping for

the new company. (...) You see, business is not all about rational thinking.” (German HR Manager, 2013)

Soon after the takeover in 2006, the new ArcelorMittal management began increased restructuring and downsizing at its European plants. The global economic crisis in 2008 led to a squeeze in demand for steel while Chinese imports increased supply. In-company suppliers such as mines sell raw material to the steel plant at market prices, thereby internalizing external market pressure. The combination of internal and external market pressures helped legitimize increased labour competition. Management framed trade unions’ agreement to restructuring at local level as a sign of maturity and voiced frustration over what they saw as the slow “evolution of trade union mentality” (Interview ArcelorMittal HR Management, 2015). In our interviews, various EWC members repeated the management argument that Europe needs to reduce steel overcapacities in order to be competitive. Few trade unions, especially socialist unions from France and Belgium and the European trade union *industriAll* (formerly European Metalworkers Federation EMF), challenged the overcapacities argument. Despite many calls for European solidarity by various trade unions, employee representatives see inter-plant competition as a “dilemma with no solution” (Interview German EWC member, 2016). The overcapacities discourse remained dominant even after Europe became a net steel importer in 2015, for the first time buying more steel abroad than is produced domestically.

“All over Europe there exists an overcapacity for long steel. (...) Probably we will soon face more restructuring measures.” (Spanish EWC member, 2014)

“It was clear that ArcelorMittal wanted to cut some capacities in Europe. Our argument was always to be careful because in the steel industry, the moment you cut capacities, you cut them for good. And Europe will need these capacities in the future.” (*industriAll* representative, 2014)

Labour and management at ArcelorMittal quickly reached a new EWC agreement in 2007 to replace the dissolved EWCs of Arcelor and Mittal Steel. This new agreement was strongly inspired by the Arcelor EWC although the EWC composition was more diverse, with many new members from Central and Eastern European countries. According to various EWC members, the ArcelorMittal EWC continued to be a central instrument for the extraction and exchange of valuable information otherwise inaccessible for local representatives. Compared to the Arcelor EWC, the quality and timeliness of information had decreased considerably and high-level management had ceased to take part in EWC meetings. Employee representatives

report a general decrease in management accountability as managers hold information related to production allocation decisions back from employees. The competitive atmosphere among EWC members made it difficult for them to delegate decision-making to the smaller and more efficient EWC Select Committee. In the face of major closures and lay-offs in France and Belgium, the EWC did not emit a joint declaration against capacity reduction even though such a measure would have been possible according to the EWC agreement (Interview ArcelorMittal HR management 2015).

“At the EWC, at least we can get information about how the company is performing and how our plant is performing in comparison with others. (...) The reality is that each of us defends the industry in our region (...) and, if we can, our country.” (Spanish EWC member, 2015)

“The managers do not speak about future plans with us [employee representatives] anymore. (...) They always have a reason why not to give us this or that information.” (Belgian EWC member, 2015)

In October 2015, labour and management signed an amendment to the EWC agreement that reflects employment reductions as well as the resulting changes in the balance between national workforces. The negotiation of such amendments is laid down in the original EWC agreement from 2007 but was not demanded by management during the first years of the crisis to avoid further tensions with labour (Interview ArcelorMittal HR Management, 2015). The amendment reduces the EWC from fifty-four employee representatives to forty-one and the Select Committee from twenty-five to sixteen members. A newly installed rotation system guarantees the participation of all major trade unions in the reduced Select Committee. At least one Select Committee member from each country has to rotate attendance with a delegate from another country. Several EWC members expect the rotation system to create problems of information sharing and accountability. German and Belgian delegates are subject to in-country rotation, meaning that one of them takes turns with a fellow representative from the same country, but belonging to a different trade union or production site. Belgian delegates perceive the rotation system as a major challenge given the national variety of and competition between unions, along regional, language and ideological cleavages.

“The working environment tends to be better in a smaller Select Committee but, admittedly, the rotation system makes it harder to build up personal relations. [Also] forming a joint political will become really difficult.” (German EWC member, 2016)

“I don’t think we will work better just because we are a smaller group [at the Select Committee]. It is not good that not all countries are represented but we have succeeded in maintaining trade union representation.” (Spanish EWC member, 2016)

“For Belgium the Select Committee rotation system is no good. (...) We would have preferred for all main Belgian trade unions to participate [directly].” (Belgian EWC member, 2016)

In its whipsawing practice, ArcelorMittal has fostered the concentration of production with the most profitable sites while closing down a number of low-profit plants. Inter-plant competition is a declared corporate policy at ArcelorMittal as the company “has in the past sought to and may in the future seek to rationalize operations through temporary shutdowns and closures of plants”, even though this strategy forced management to include “protracted labour disputes and political controversy” in its future risk scenario (ArcelorMittal, 2015: 209). This has affected Germany, Spain and Belgium to different degrees: at the time of our research, the German workforce has remained largely stable while in Spain resettlement and voluntary retirement schemes affected several hundred workers. Strong tensions between management and trade unions were evident in Belgium where the company has closed down an integrated steel plant in Wallonia and reduced its national workforce by almost half. In this conflict-laden context, management justifies the paralysation of the EWC Select Committee through a rotation mechanism by arguments related to cost, competitiveness and efficiency. This is despite the fact that the number of languages present and thus interpreters needed at meetings remains the same after the reduction (Interview ArcelorMittal HR Management, 2015).

“The company policy is to have us compete against one another. At the moment everybody’s priority is the struggle for the survival of their plant.” (German EWC member, 2013)

## **Discussion of Findings**

Our case study displays an acceleration of whipsawing over time, from rule-based to hegemonic whipsawing. Management whipsawing at Arcelor was predominantly rule-based in nature. Management’s desire to maintain a co-operative relationship with labour led them to favour rule-based whipsawing over coercive whipsawing. Whipsawing at Arcelor involved specific threats against ‘dry’ production sites that were considered logistically disadvantaged

and therefore has to be understood as rule-based rather than informal, despite its relatively low intensity. Since the takeover in 2006, the ArcelorMittal management has exercised both coercive and hegemonic whipsawing practices, though to different degrees. Coercive whipsawing is related to real threats and includes no concern for worker consent. This type of whipsawing is non-cooperative by nature, with no need for legitimizing arguments. Management uses coercive whipsawing for selected locations where the company seeks to reduce production capacity through partial plant closures, mainly in France and Belgium, but also in Poland. At European level, management discourse has developed far beyond a mere reliance on forcing and progressed towards clearly hegemonic whipsawing, in the sense of successfully co-opting labour into a corporate discourse of competitiveness, overcapacities and local and regional alliances.

The findings confirm structural whipsawing capacity as a central enabling factor for management whipsawing (Greer and Hauptmeier 2016: 48). The 2002 merger of Arbed, Usinor and Aceralia created Arcelor as a European giant with a strong market position, which resulted in only moderate whipsawing capacity for Arcelor management between 2002 and 2006. Labour competition started to increase gradually with rising consolidation pressures in the global steel market and stronger centralization of management decisions. The ‘dry-versus-wet-plants’ discourse represents a translation of an overarching global competitiveness narrative (Krugman, 1994; Streeck 2009) into internal corporate sense-making. The company benchmarking system constitutes the main institutionalization of this discourse, or its transformation into practice. Whipsawing always requires an interplay between external structural conditions and internal discourse. Discursive legitimization strategies (Vaara and Tienari, 2008; Vidal, 2013) such as Arcelor’s ‘dry-versus-wet-plants’ narrative form the necessary foundation of rule-based whipsawing. Rather than through blunt forms of coercion, management carried out restructuring based on a transparent set of rules, and emphasized the inclusion of social considerations. A sophisticated legitimization discourse is not necessary if management has already established a stable ontological hegemony in which labour has internalized the hegemonic narrative, making its continuous explanation obsolete.

In a departure from previous studies (Bair and Ramsay, 2003; Edwards and Bélanger, 2009; Greer and Hauptmeier, 2016), we approach structural whipsawing capacity as a management tool rather than a stock market-induced external condition. Company growth, production restructuring and workforce reductions, including plant closures were all part of the dominant business strategy at Arcelor during the late 1990s and early 2000s but strongly intensified after

the takeover by Mittal Steel in 2006. The unfolding global economic crisis after 2007 provided management with increased structural whipsawing capacity and the internal benchmarking quickly developed from regulated concession bargaining into a battle for survival between plants. ArcelorMittal's abandonment of the formerly dominant 'dry-versus-wet-plants' narrative exemplifies how corporate legitimization narratives (Vaara and Tienari, 2008) change over time. Management exercises extreme applications of what Keith Sisson (2013) terms 'divisionalization', with major implications for employment relations in the company. ArcelorMittal groups European production sites into two major business sections (flat steel and long steel), with geographical sub-divisions. The internal supply of raw materials at external market prices further institutionalizes competition in the company's internal organization of production. Given the dominant overarching global competitiveness narrative, employee representatives associate the competitive pressures they experience with an external, faceless market reality rather than an internal company strategy.

Corporate labour relations at the company under study have varied significantly over time. Employee involvement at Arcelor was high as management aimed to earn labour's consent to business decisions. This was in line with the stakeholder dialogue tradition practiced at the formerly state-owned companies Arbed, Usinor and Aceralia, before they came to form Arcelor in 2002. The Arcelor EWC was in the process of developing from a platform of information into a project-orientated body, with capacity for joint declarations and cross-national co-ordination (Rüb, Platzer and Müller, 2004). Management was keen to emphasize reason and co-operation with labour while also seeking legitimization through a global competitiveness narrative. After 2006, the ArcelorMittal EWC fell back into the role of a passive 'platform of information' (Rüb, Platzer and Müller, 2004), where delegates aim to extract information rather than co-ordinate employees transnationally. High-level management representatives remain absent from meetings and the timeliness and quality of information is unsatisfying. Such a management withdrawal from social dialogue is unusual for post-merger companies. Management's increased need for employee co-operation after corporate mergers tends to motivate higher degrees of worker participation. ArcelorMittal's now truly transnational structure means that management cannot rely on tight relations with a single most influential group of national employees from the home country.

Our case study does not fit Greer and Hauptmeier's (2016) definition of hegemonic whipsawing, as employee involvement is low with ArcelorMittal. Greer and Hauptmeier (2016: 35) define hegemonic whipsawing as a situation of shared responsibility where "labour

is extensively integrated into management decision-making”. This stands in stark contrast to our findings from ArcelorMittal. Whipsawing is hegemonic despite the marginalization of the EWC as the main instrument of employee participation at transnational level. We interpret the installation of a rotation system for the EWC Select Committee in 2015 as an institutionalization of mistrust among employees and as an integral part of hegemonic management whipsawing. The very idea of a EWC Select Committee is to transfer employee representation from plant delegates to a collective decision-making body. Rotating membership contradicts this function. Instead of national labour representatives, EWC Select Committee members act as direct plant delegates, with evident consequences for the committee’s effectiveness. Management justifies the rotation system with repeated but unfunded efficiency arguments. The new EWC Select Committee meetings are not considerably smaller than before, and the number of languages subject to translation remains the same. The construction of transnational labour consent to inter-plant competition is a central element that distinguishes hegemonic from other whipsawing types and has not been analysed in previous studies of inter-plant competition.

The definition of hegemonic whipsawing proposed by Greer and Hauptmeier (2016) needs to be revised through a Gramscian lens. The findings from our single-case study indicate that management can gain labour consent without the incorporation of labour actors into company decision-making. Ideas are truly hegemonic once they become standardized practice (Hauptmeier and Heery, 2014: 2484). According to Gramsci (1971), hegemony implies that actors undergo a discursive or ideational co-optation, not necessarily an organizational inclusion, by any ruling party. The ArcelorMittal EWC stabilizes the management prerogative over production as labour representatives experience a lock-in into competitive modes of worker participation. The EWC can thus develop from a worker-participation body into a management instrument to divide and conquer. In Gramscian terms, any hegemonic actor desires that their dependants “organise themselves internally on the model of the hegemon”, both for greater internal control and more effective external action towards the domination of competitors (Streeck 2017: 26). Hegemonic whipsawing is robust at ArcelorMittal because management has replaced employee involvement with labour consent to competition. The relation between local coercion and transnational consent is symbiotic (Gramsci, 1971: 59): credible threats voiced against many production sites form the background noise against which employee representatives give their consent to labour competition, expressed through the EWC.

## Conclusions

The staging of labour competition by management constitutes a central element of industrial production in the age of corporate globalisation. For employees, the main competitors are no longer in the market but inside the firm, which undermines the bargaining power of labour in general and of subsidiaries against headquarters in particular. This article has aimed to generate both an empirical and a theoretical contribution to the study of management whipsawing practices and underlying explanatory factors. Our case study shows for the first time how a particular institutional setting for employee involvement at European level contributes to hegemonic whipsawing. ArcelorMittal, the leading company in the European steel sector, is undertaking rather unsettling changes in its employee involvement practice. The EWC, which is the main arena for worker participation at transnational level, becomes a management tool to divide and conquer. Against the background of increased structural whipsawing capacity for management, labour representatives have internalized the dominant narrative of inter-plant competition, overcapacities and cost-cutting demands resulting from global competition. They even consent to rotational employee representation, effectively institutionalizing employee mistrust at EWC level. The analysis exemplifies the utility of Greer and Hauptmeier's (2016) whipsawing theory while also suggesting amendments to the original typology.

Our study of corporate whipsawing at ArcelorMittal has aimed to show the benefit of applying Gramscian theory to the study of employment relations in TNCs. We have traced back variations in management whipsawing patterns to changes in structural whipsawing capacity and employee involvement. In a departure from previous studies, we have used the Gramscian concepts of hegemony, coercion and consent to gain a better understanding of how the interpretation of external market conditions and the design of employee involvement institutions solidify hegemonic whipsawing. The neighbouring field of international political economy has made extensive use of Gramscian concepts to explain power and domination (Schulze-Cleven 2017; Burawoy 2003; Cox 1993; Scherrer, 2001). We have aimed to show how coercion and consent play out in management discourse and institutional change within the company context. Labour's capacity for counter-hegemonic action is severely limited as the EWC changes its role from a potential instrument of worker involvement into a regulator of competition. Our analysis also suggests that different whipsawing types are not mutually exclusive alternatives but rather constitute consecutive, partly overlapping stages in a process towards full managerial hegemony over production and labour. The four whipsawing types

differ in terms of the degree of coercion and consent involved, while neither is completely absent in either type.

In our analytical framework, we have treated the two explanatory factors, structural whipsawing capacity and employee involvement, as independent variables. To explain how either has come about goes beyond the scope of this article. Naturally both the nature of markets and production and the quality of worker participation depend on a variety of factors, such as legal provisions, political influence and the strength of labour power in a given sector or company. Cultural change among management plays a central role in explaining variations in benchmarking practice and labour relations over time, especially in the context of major corporate mergers across borders. Further research will need to fine-tune our theoretical framework in order to explain how management narratives with regard to production and employees change in post-merger companies. A central challenge for future research lies in the development of micro-theoretical tools that shed further light on the construction of hegemonic management discourse as well as in the identification of possible ways for employees to confront corporate whipsawing at both ideational and institutional level.

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