

Expert Group "Workers' Voice and Good Corporate Governance in Transnational Firms in Europe"

Research Report

Workers' voice for better and sustainable corporate governance

I.M.U. Policy Brief, No. 1

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POLICY BRIEF

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WORKERS' VOICE FOR BETTER AND SUSTAINABLE CORPORATE GOVERNANCE

Expert Group "Workers' Voice and Good Corporate Governance
in Transnational Firms in Europe"



INTRODUCTION

The Expert Group on “Workers’ Voice and Good Corporate Governance in Transnational Companies in Europe” was initiated by the Hans-Böckler-Foundation in 2015 under the academic lead of Anke Hassel. The task was to assess the extent and role of different forms of Workers’ Voice in transnational companies as well as the effects of Workers’ Voice on sustainability in companies and corporate governance. The group consists of practitioners from companies, representatives from trade unions, civil society, the European Commission and academics from all over Europe who exchanged their expertise on Workers’ Voice in companies. The result is an academic report which elaborates the role and influence of Workers’ Voice on companies and corporate governance.

MAIN FINDINGS

Workers’ Voice is a key component of corporate governance in many multinational companies (MNC) and part of the economic and social model of many European member states. However, there is no single model of Workers’ Voice: it appears in very different ways. The objective of any form of Workers’ Voice is to influence decisions of strategic importance in companies to protect workers’ rights (Hassel et al. 2018, p.42) Possible manifestations of Workers’ Voice following this objective are collective agreements, works councils, European works councils, employee board level representation and

European as well as transnational company agreements. As they strive for same goal they can be considered functional equivalents. These different forms of Workers’ Voice are similar in their functions. They represent workers’ concerns and act as an enforcement mechanism of workers’ rights. What is more, workers’ interests are channeled and management decisions are monitored. However, for Workers’ Voice to fulfill these functions it is necessary that certain conditions are fulfilled. Rights to exercise Workers’ Voice must be obligatory and the lack of it must be sanctionable. What is more, Workers’ Voice must contain individual and collective rights on different institutional levels such as on company, industry, national or even European level. Beyond that, an appropriate level of resources is necessary for Workers’ Voice to be effective (Hassel et al. 2018, p.44).

Although there are different ways to establish Workers’ Voice in companies, the different forms interplay with each other and are interconnected. Hassel and Helmerich (2017) show that when looking at the 100 largest European companies all companies with employee board level representation (BLER) were covered by collective bargaining agreements and 90.9% had European Works Councils. Whereas, in companies without BLER only 82.1% were covered by a collective bargaining agreement and only 58.1% had a European Works Council. A strong institutional setting for Workers’ Voice correlates remarkably with a high degree of workers’ presence in the corporate governance structures of a company: where you can find a high coverage by collective agreements you will see also a high degree of EWCs and IFA’s.

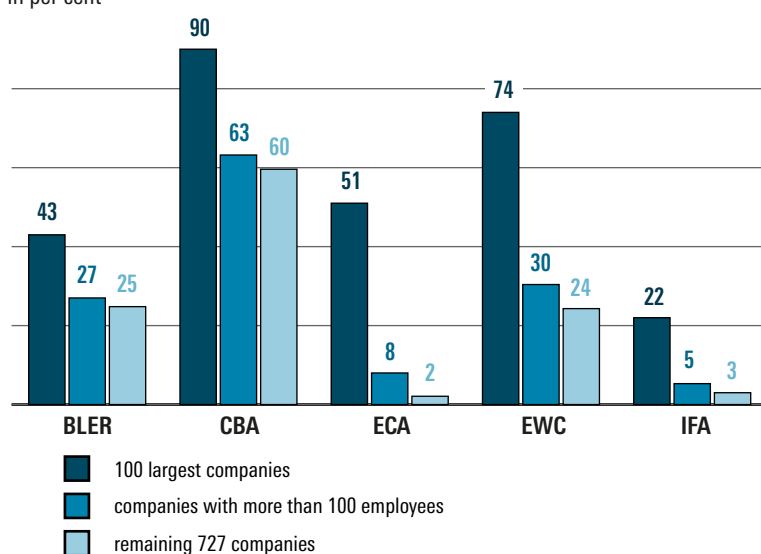
Ideally, Workers’ Voice benefits the workers on the one hand, but has also advantages for the employer, the economy and society as a whole. Theory hints towards benefits of Workers’ Voice on productivity as well as improved organization. Empirical data has found support for these theoretical arguments.

Sound corporate governance including Workers’ Voice makes a binding and effective social dialogue between workers (representatives) and (top) management covered by a same understanding on the – cross-border – corporate social responsibility of the company more likely. Remarkably, the performance of the company links positively with a strong role of labor. Companies with strong employee representation on boards often have a higher productivity, reduced labor turnover and are able to preserve company specific human capital (Hassel et al. 2018, p.13).

Sustainable companies and the influence of Workers’ Voice may also contribute to stabilizing democracy and well-being of civil-societies, also beyond European borders, for example, when Global Framework Agreements are in place. Looking at social inequality measured by the Gini coefficient, within the global top ten countries with the

Figure 1

Share of companies with different types of workers’ voice by company size, 2014
in per cent



BLER: board level employee representation; CBA: collective bargaining agreement; ECA: European company agreement; EWC: European works council; IFA: international framework agreement

Source: WV dataset Hassel/Helmerich

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lowest inequality eight of them have strong forms of BLER in place. In simple words, in countries with strong rules on employees on boards, there is less inequality. At the same time, these countries are highly competitive even on the international stage: According to the Global Competitiveness Report by the World Economic Forum for 2015 four out of the 10 most competitive countries have a high level of workers' representation in boards. Beyond that, structural change is addressed better and more efficiently in countries with strong Workers' Voice (Hassel et al. 2018, p.5).

whole. Employee representation improves welfare as it helps solving organizational failures, strong industrial relations and improving management decisions. When it comes to corporate governance, restructuring and corporate responsibility Workers' Voice leads to better information flows and can help to monitor the management more effectively. However, to fully exhaust the strengths and benefits of Workers' Voice it is necessary to not only preserve Workers' Voice on national level but to strengthen the institutional and legal base of Workers' Voice on European level.

CONCLUSION

There are different ways to express Workers' Voice in Europe. All of them pursue the same objective. Although they differ, many forms of Workers' Voice are interconnected and interact with each other. In general, one can state that Workers' Voice has positive effects on companies on the individual level but also on the economy and society as a

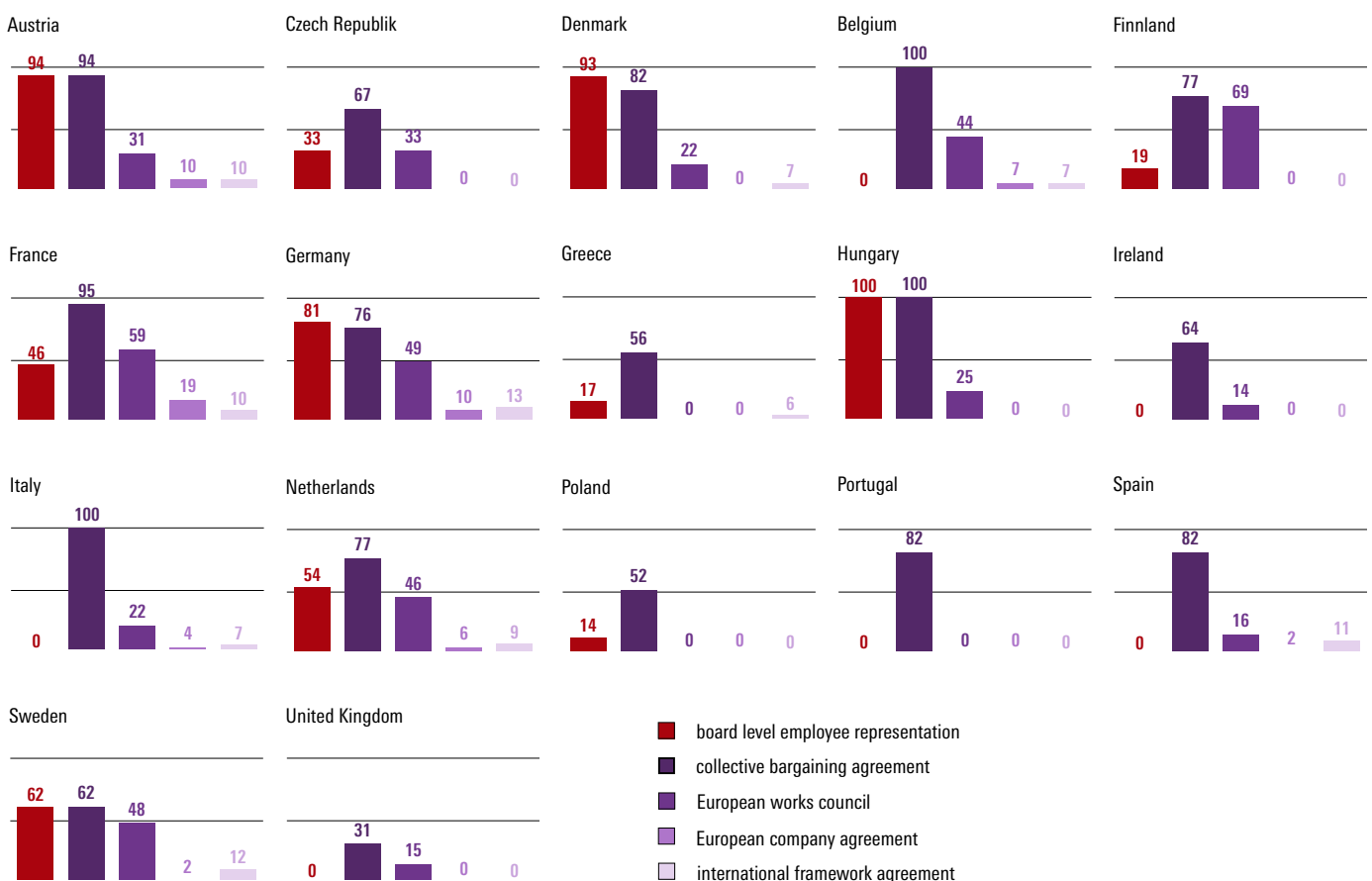
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Figure 2

Workers' voice by country, 2014 in per cent of companies



Source: WVdataset Hassel/Helmerich

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Editor

Hans-Böckler-Stiftung

Hans-Böckler-Straße 39, 40476 Düsseldorf

Telefon +49 (2 11) 77 78-17 2

www.boeckler.de

Press contact: Rainer Jung, +49 (2 11) 77 78-15 0

rainer-jung@boeckler.de

Editorial

Dr. Norbert Kluge, Academic Director I.M.U.

Hans-Böckler-Stiftung, Telefon: +49 (2 11) 77 78-198/199

norbert-kluge@boeckler.de

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