I.M.U.
Institute for codetermination and corporate governance

REPORT

The I.M.U. is an institute of the Hans-Böckler-Stiftung

Mitbestimmungsreport No. 55e, 11.2019

BOARD-LEVEL EMPLOYEE REPRESENTATION IN THE UK

Is it really coming? Recent developments and debates

Lionel Fulton

AT A GLANCE

- In the United Kingdom, there are currently no legal provisions on employee board-level representation. Companies typically have a monistic governance structure with a board of directors composed of executive and non-executive members.
- Theresa May had announced that workers should in future have representation at board level. This promise remains largely unfulfilled.
- A revision of the British Corporate Governance Code, which came into force in 2019, has made employee representation on the boards of British companies more likely than at any point in the last 40 years.
- Listed companies are now required to choose from three options as a way of involving employees. In practice, however, only a handful of employee representatives have been appointed to administrative boards.
- Nevertheless, it shows that there is now movement in the discussion. The Trades Union Congress (TUC), for example, is now calling for employees to have the right to appoint at least a third of the board members.
- The Labour Party has aligned its position to the TUC's. Its party leader, Jeremy Corbyn, has announced that he will reserve one-third of board seats for employees, if he wins power.

CONTENT

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FOREWORD

In 18 of the 28 EU member states and in Norway employees have the right to depute representatives to their company's supervisory board or board of directors. In many European countries board level employee representation is a fundamental component of corporate governance and interest representation. German co-determination, in other words, is by no means an outlier, as is sometimes claimed, but rather one strong reference point among others in Europe.

Every national system of board-level employee representation is unique in its own way. They have developed over time and are embedded in an overall system of labour relations and corporate culture. This makes it difficult to compare them with one another directly or even to try to transpose one system to another country. Institutional and legal structures may differ from one country to another. At the same time, workers' voice at the top level appears to reflect country-specific responses to similar challenges. Regarded in terms of 'functional equivalents', however, such differences are more tangible and comparable (see Mitbestimmungsreport No. 52e for more on this).

For this reason it is well worth looking beyond the national context: on one hand, in order to learn from others and to make one's own tradition 'future-proof' and on the other hand, to try to achieve a common European understanding of what good corporate governance consists of and what role board-level employee representation plays in it. Employee representation at board level sees to it that companies do not confine themselves to bestowing substantial returns on their shareholders. It concerns itself with a lot more than market value, dividends and investment returns. It takes a broader view of corporate governance, oriented towards the sustainable success of the company. In a period in which companies are often little more than commodities board-level employee representation is an increasingly important corrective, ensuring the future prospects of employment and production locations and safeguarding long-term company success in harmony with the environment.

From a historical standpoint the introduction or extension of legislation on board level employee representation usually occurred in the wake of crises (of confidence) and major ordeals. For that reason it's all the more surprising that little was done to reinforce rights as a consequence of the great financial and economic crisis after 2008. Evidently the shock didn't last long enough to prevent business-as-usual from reasserting itself. The scale of this lost opportunity was set out recently in the impressive study by Professor Marc Steffen Rapp of Marburg University and Professor Michael Wolff of Göttingen University. They traced the development of 280 Prime Standard German companies from 2006 to 2013 and compared it with that of European competitors. The result was clear: companies in which employees have board level representation in the supervisory board did significantly better economically during the financial crisis and in subsequent years than firms without board level employee representation. Evidently, companies with employee representation at board level are more robust and future-oriented.

No doubt this has contributed to the fact that in a number of countries interest in employee representation in the supervisory board and the board of directors is now higher. Even where hitherto there has been little tradition of board level employee representation, stimulating debates are emerging.

Actors and political contexts differ. Nevertheless the same major challenge generally remains: establishing a counterweight to unfettered finance capitalism, in which workers' and the wider society's interests all too often lose out to relentless short-term pressure for returns that benefit only a few.

In these circumstances therefore it is gratifying that in many countries, in contrast to 2008, board level employee representation is openly being discussed as one possible answer to the major questions of our time. Within the framework of a brief 'country series' we take a look at current debates and developments in France and the United Kingdom. We asked the distinguished experts Udo Rehfeldt (IRES Paris) and Lionel Fulton (Labour Research Department London) to summarise the exciting discussions on board level employee representation in their countries, analyse them and outline the specific national context.

Interestingly, developments are by no means confined to the European continent. Interest in board level employee representation has emerged, seemingly out of nowhere, even in the United States. For example, for some time now US academics have been collecting information and facts on board level employee

Workers' Voice in European corporate governance – an invitation to open up new perspectives for participatory democracy.
Series: Mitbestimmungsreport, Nr. 52e.
Düsseldorf: 2019, ISSN: 2364-0413

Rapp, Marc Steffen / Wolff, Michael: Strong Codetermination – Stable Companies. An empirical analysis in lights of the recent financial crisis.
Series: Mitbestimmungsreport, Nr. 51e.
Düsseldorf: 2019, ISSN: 2364-0413

representation on the website codeterminationfacts.com. The most prominent advocate of board level employee representation is Democratic Senator and presidential candidate Elizabeth Warren. Her draft legislation envisages that employees would elect 40 per cent of members of the board of directors. It is embedded in a package of measures aimed at changing the one-sided market incentives of shareholder capitalism, which entices companies into focusing on 'maximising shareholder value' instead of investing in their employees and society. US journalist and author Steven Hill has contributed a vivid analysis of the American debate for the Mitbestimmungsportal.

Needless to say, there can be no question of adopting German co-determination lock, stock and barrel. But it is an important reference point, along with other European models, to inspire discourses in other countries and support initiatives seeking to boost workers' voice. Even in Germany it is worth taking up debates from other countries and putting them to use in the domestic context. It is in any case important that such debates do not remain confined to individual countries. Not least developments in European company law show that board level employee representation rights today are safeguarded only when a strong national foundation is accompanied by well functioning protection at European level. Board level employee representation belongs on the EU agenda. Sustainable corporate governance and more robust collective rights must be a priority for the new European Commission over the coming five years. A draft European framework directive on information, consultation and participation, which the European Trade Union Confederation is calling for, would be an important step in the right direction.

Whether it be climate change, the erosion of social cohesion, digital transformation or the excesses of finance capitalism, more than ever we need reliable mechanisms for negotiating good and fair solutions, in which all those affected can participate on an equal footing. That is exactly what worker participation stands for. After years of stagnation with regard to worker participation policy in both Germany and Europe we need to fight, proactively and deliberately, for a revival of investment in the 'worker participation infrastructure'. Otherwise, the 'Workers' voice advantage' is at risk of being lost.

Norbert Kluge, I.M.U. Director
Michael Stollt, Unit head at I.M.U.

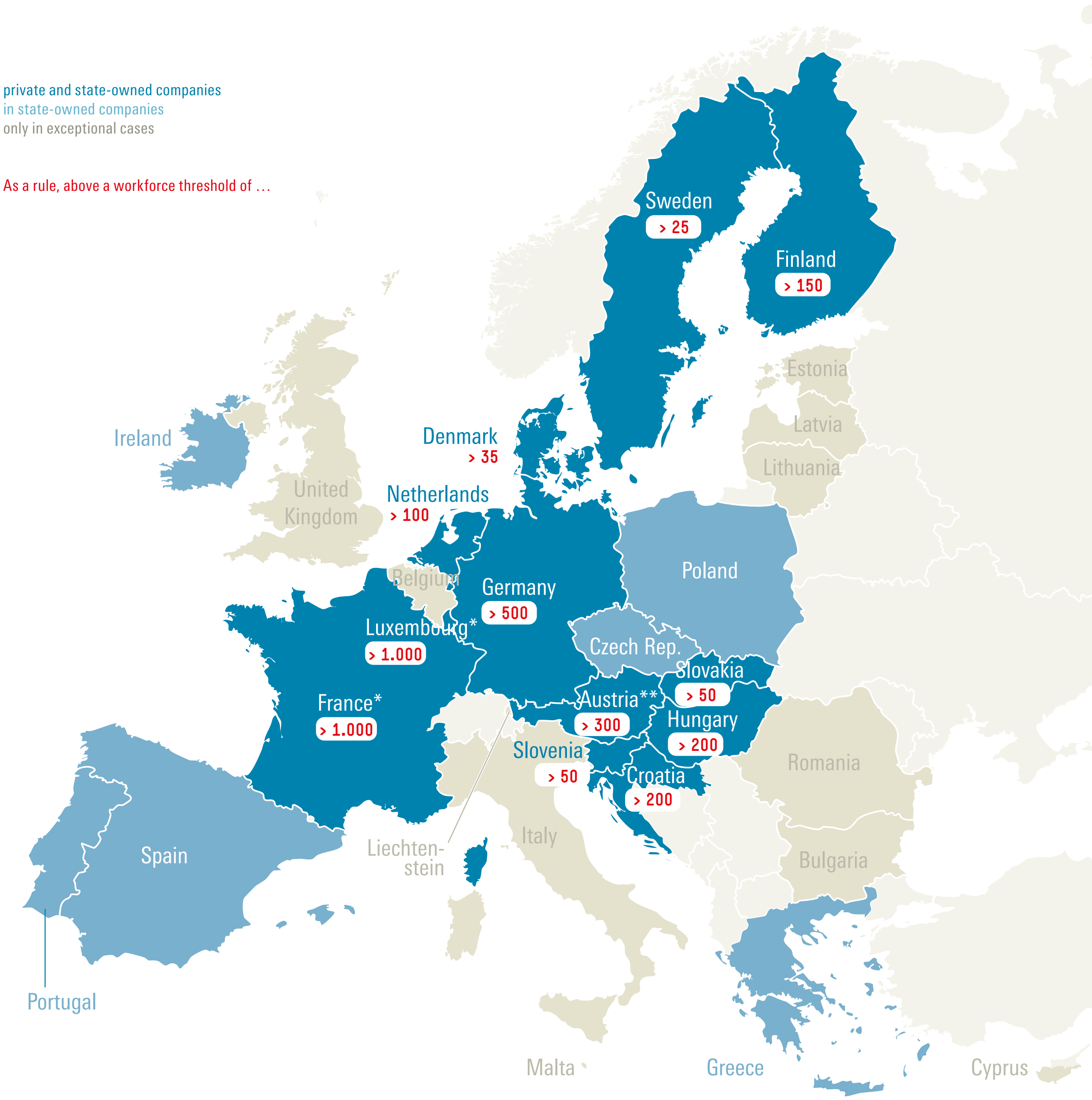
Focus > Co-determination and Europe

Companies are able to operate across borders problem free. Co-determination too must be established on a European basis. Decisions will also be taken in particular about its future also in Brussels, Strasbourg and Luxembourg. On the Mitbestimmungsportal current developments and practical information are provided on the Focus page.

https://www.mitbestimmung.de/html/thema-mitbestimmung-europa-7076.html

Where workers have a say in the EU

There is a right to co-determination at board level …



* Different threshold values for state-owned companies

** only limited companies (ltd or GmbH) – there is no threshold for plc's or AGs, if there is a works council.

Source: Data from Conchon, Aline / Kluge, Norbert / Stollt, Michael (2015): Worker board-level participation in the 31 European Economic Area countries. ETUI, Brussels. Illustration based on Böckler Impuls 9 / 2019, S.5. German Graphic Download: bit.do/impuls1558

Hans Böckler Stiftung

Further information

Basic information on co-determination in individual countries can be found on the Mitbestimmungsportal:

→ https://www.mitbestimmung.de/html/mitbestimmung-in-europa-166.html

1 INTRODUCTION

In 2016, when the current ruling Conservatives elected Theresa May party leader and thus UK prime minister, she surprised almost everyone by promising to put employee representatives on company boards. In fact, she later backed away from that promise, and the current party leader Boris Johnson shows no signs of wanting to expand employee participation. But despite this, the idea of board-level employee representation in British companies is being increasingly discussed, not least because Jeremy Corbyn, the leader of the opposition Labour Party has promised that, under a government led by him, the workforce in larger companies will elect a third of the board.

2 NO BOARD-LEVEL EMPLOYEE REPRESENTATION

In the UK, in contrast to a majority of EU states, there is no legal obligation to have employee representatives at board level, neither in private sector nor in the public sector. Directors are chosen by the shareholders and employees have no way of influencing that choice.

An attempt to change this at the end of 1970s, when government proposed in May 1978 that employees should have a third of the seats on the boards of companies with at least 2,000 employees[1], was torpedoed by the election of a Conservative government under Margaret Thatcher in 1979. And, until very recently, there has been no significant progress since then. Plans to move to an explicitly "stakeholder" model of corporate governance, reflecting the interests of other groups, such as workers, suppliers and communities, which were discussed following the election of a Labour government in 1997 were only very partially reflected in the legislation which emerged from the process, the Companies Act 2006. This states clearly that directors must "act in the way […] most likely to promote the success of the company for the benefit of its members [shareholders], although they should also "have regard" to a number of other factors, one of which is "the interests of the company's employees". (Others, whose interests should also be taken into account, include suppliers, customers, the community and the environment.)

1 White Paper Industrial Democracy (May 1978), this followed the report of the Committee of Enquiry into Industrial Democracy, better known as the Bullock report, in 1977.

3 MAY'S PROMISE AND ITS AFTERMATH

This background explains the surprise when, in the course of her campaign to win the leadership of the Conservative Party, May said in July 2016 that,

> *if I'm prime minister […] we're going to have not just consumers represented on company boards, but workers as well.*

However, under pressure from business leaders and parts of her party, that policy did not last for long. In a speech to the CBI, the UK's largest business lobby, in November 2016 she mentioned her earlier promise but went on to say that

> *while it is important that the voices of workers and consumers should be represented, I can categorically tell you that this is not about mandating works councils, or the direct appointment of workers or trade union representatives on boards.*

The government consultation document that followed shortly afterwards[2] was in line with this much more limited ambition. It referred to stakeholders, seen as "employees, customers and other interested parties", rather than just employees and set out three main ways in which their voices could be heard in the boardroom. These were:

- through the creation of stakeholder advisory panels, with whom the board could consult as required. (The composition and selection of these panels would be decided by the company.)
- through the designation of a non-executive director with a specific responsibility to ensure that "voices of key interested groups, especially that of employees" were heard at board level (UK companies have a single tier board, but, under the corporate governance code, in companies quoted on the stock exchange, half the board, excluding the chair, should be made up of independent non-executive directors drawn from outside the company.)
- through the appointment of individual stakeholder representatives (like employees) to company boards.

These three options reappeared in the government's published response to the consultation in 2017[3], although the final proposals concentrated more on employees. In this document, the government invited the Financial Reporting Council (FRC), the body responsible among other things for drawing up the corporate governance code, to "consider and consult on

2 Corporate Governance Reform: Green Paper, Department for Business, Energy and Industrial Strategy, November 2016

3 Corporate Governance Reform: The Government response to the green paper consultation, Department for Business, Energy and Industrial Strategy, August 2017

a specific code provision requiring premium listed companies [stock exchange companies] to adopt, on a 'comply or explain' basis, one of three employee engagement mechanisms:

– a designated non-executive director;
– a formal employee advisory council; or
– a director from the workforce."

The FRC duly obliged, and began consulting on a new version of the corporate governance code in December 2017[4], which was to include other changes, as well as dealing with employee involvement. The revised code, published at the end of the consultation process in July 2018,[5] includes new section on "engagement" with "other key stakeholders". With reference to employees it states,

> *For engagement with the workforce, one or a combination of the following methods should be used:*
> *– a director appointed from the workforce;*
> *– a formal workforce advisory panel;*
> *– a designated non-executive director.*

Like many parts of the code, this does not place an obligation on companies to comply. They can "comply" or "explain" why they have not done so. As the corporate code goes on to say,

> *If the board has not chosen one or more of these methods [director from the workforce, advisory panel or designated non-executive], it should explain what alternative arrangements are in place and why it considers that they are effective.*

A separate FRC document[6], published at the same time, sets out what some of these alternative arrangements might be, and its examples include "focus or consultative groups" and "meeting groups of elected workforce representatives", as well as "surveys" and "digital sharing platforms". It also restates the fact that, "provided the board's approach delivers meaningful, regular dialogue with the workforce and is explained effectively, the code provision will be met."

The code applies to companies with a "premium listing" on the London Stock Exchange, in effect most quoted companies, and the 2018 version came into effect in 2019.

The rules set out in the new version of the code are a long way removed from May's original promise to have workers represented on company boards. Frances O'Grady, the general secretary of the Trade Union Congress (TUC), which brings together almost all the UK unions, described the new code as "a step in the right direction" but went on to point out that it was not the more extensive change May had initially promised.

4 THE RESULTS OF THE NEW RULES

The impact of the employee engagement provisions of the new code seems likely to be limited in practice, at least on the basis of a study of company plans undertaken by the Local Authority Pension Fund Forum (LAPFF). (Municipal pension funds are major investors in the stock market.)[7] The LAPFF survey published in May 2019 asked how companies proposed to respond to the new code provisions on employee involvement. It found that only 77% had decided to implement one of the three options provided, with 18% saying that they would not do so but instead explain the reasons for their non-compliance. Of those who had decided to comply and already chosen the method, almost three-quarters (73%) intended to designate a non-executive director; more than a quarter (27%) planned to set up a formal advisory panel and just one in 20 (5%) said that they would put a director from the workforce on the board. (The figures add up to more than 100% because 5% said that they would both designate a director and set up a workforce panel.)

For the LAPFF, which backs employee representation on company boards, arguing that it can add a "longer-term perspective" to decision making, the results are "rather disappointing". It is clear that very few companies are choosing to appoint an employee director and most have gone for the option – designating a non-executive – that will involve least change. For Paul Doughty, the chair of LAPFF, "this feels like a missed opportunity".

In fact, although there is no officially tally, it seems that currently there are only five companies quoted on the London Stock Exchange which have employee directors,[8] although one of them, the travel company TUI, is incorporated in Germany and follows its legislation. (TUI has a 20-person supervisory board where half the members represent the employees.)

4 Proposed Revisions to the UK Corporate Governance Code, Financial Reporting Council, December 2017
5 The UK Corporate Governance Code, Financial Reporting Council, July 2018
6 Guidance on board effectiveness, Financial Reporting Council, July 2018

7 Employees on boards: Modernising governance, LAPFF Report, May 2019
8 See Worker directors increasingly prominent in debates on corporate governance reform, by Chris Rees, June 2019 https://www.ipa-involve.com/news/worker-directors-increasingly-prominent-in-debates-on-corporate-governance-reform

5 THE UK COMPANIES WITH WORKERS ON THE BOARD

The four UK incorporated companies with workforce members on the board are:

– FirstGroup, a bus and rail company (100,000 employees including 70,000 in the US);
– Sports Direct, a shoes and clothes retailer (26,500 employees);
– Capita, largely providing outsourced services (63,000 employees including 20,000 outside the UK) and
– Mears Group, which provides housing, care and other services (11,000 employees).

The FirstGroup has the longest experience of employees on the board, as it has had an employee board level representative since it was created, as FirstBus, in 1995. This emerged out of the privatisation of bus services outside London, often through employee-management buyouts, which frequently include worker directors. The forerunner of FirstBus, Grampian Regional Transport, was formed through a management-employee buyout of the bus service in Aberdeen (Scotland) in 1988, and although in many other companies the worker directors disappeared, this was not the case at FirstBus and later FirstGroup.

In the case of the other companies, the decision to have someone from the workforce on the board is much more recent, coming after Mrs May's announcement, and in at least two of the cases, employee representatives at board level were introduced as part of wider changes the company was trying to make.

At **Sports Direct**, the first workers' representative to the board was appointed in April 2017. The appointment followed a parliamentary report in 2016, which described the business as a "particularly bad example of a business that exploits its workers in order to maximise its profits".[9] And the Financial Times reported at the time that Sports Direct "has appointed its first workers' representative to attend board meetings, as the […] sports retailer tries to transform its image after a year of scandal".[10]

The union Unite, which had protested about conditions at the company, was sceptical about the process. Unite's assistant general secretary Steve Turner said:

> *If the worker is hand-picked by Sports Direct, without union support, training and confidence to speak up, then this risks being little more than a PR exercise rather than a serious attempt to right the wrongs of the past.*[11]

In fact, the initial workers' representative, Alex Balacki, a local store manager, was not a director at all but attended board meetings as, in the words of the 2018 annual report, "the workers' representative […] free to speak on behalf of the group's workforce at all scheduled meetings of the board". It was only in January 2019 that Cally Price, also a store manager and his replacement as workers' representative became a full board member.

At **Capita**, the Financial Times reported that the move to appoint workforce directors was "part of a package of measures introduced by Jonathan Lewis, who joined as chief executive at the end of 2017 to turn around the business following a series of profit warnings and contract scandals."[12] It also quoted Ian Powell, chair of Capita, who stated:

> *We were determined that the perspective of employees and increased diversity of thought were represented at board level.*

The decision was announced in May 2019 with the two worker directors joining the board in July the same year.

At **Mears Group**, a worker director was appointed in June 2018, when the chair of the company Bob Holt said:

> *This role will assist the board in receiving full, open and honest insight and views from its workforce on how strategic initiatives are implemented, and will provide the workforce with a better understanding of how the board operates.*[13]

The number of employee representatives varies among the four companies. At Capita, there are two directors from the workforce out of a total of 11, but in the other three companies there is only a single employee director. There are also important variations in the way they have been chosen. At Capita, the two new board members, Lyndsay Browne and Joseph Murphy, were appointed by the board chair and the senior non-executive director after a lengthy recruitment process which reduced the initial 400 applicants (all employees with two years' service could apply) to the final two appointed. The selection was based on initial aptitude tests and a series of interviews, including one with the chief executive, but there was no election.

At Sports Direct, the first employee representative was elected by the workforce, but only from a shortlist of three, chosen by the company. His replacement was elected in September 2018 following what the company describes as "a competitive application process".

At Mears Group, the worker director, Amanda Hillerby, was elected by the employees from among sev-

9 Employment practices at Sports Direct, Business, Innovation and Skills Committee, July 2016
10 Sports Direct appoints workers' representative by Nicholas Megaw, Financial Times, 12 April 2017
11 Sports Direct appoints new workers representative by Ben Stevens, Retail Gazette, 12 April 2017
12 Capita appoints two employees to main board by Gill Plimmer, Financial Times, 14 May 2019
13 Mears Group press release, 12 June 2018

en candidates, although previously all seven had been interviewed by the executive board members so that, in the words of the company "they understood what the role involved".

At FirstGroup, the employee director on the main board is indirectly elected. Employee directors are elected by the workforces in each of the group's main UK companies. They then elect one of their number to the main board. The current employee director at group level is Jimmy Groombridge from one of FirstGroup's UK bus companies.

All four companies have been positive about the contribution the worker directors make. At Capita, Will Serle, the head of personnel, says the two new worker directors "bring diversity of thought to the board, which can only improve strategic decision-making, and engagement with the most valuable asset any business possesses – its people." Sport Direct's annual report talks about the workers' representative facilitating "a healthy and constructive dialogue". The Mears Group annual report refers to the benefits "of listening to employees and engaging them in both consultation and decision making", while FirstGroup's long time chair, Martin Gilbert, said in 2016 that during his 25 years as a board member he had found "having an employee director immensely useful. Without exception, they took their role seriously and always put their duty to the company first."[14]

However, these comments, together with the way the worker directors are chosen in at least some of the cases, indicate, unsurprisingly that the companies approach the issue from their own perspective, rather than seeing employee board level representation as a way of protecting employee interests.

6 THE TUC POSITION

The view of the TUC, as recently set out in a policy document produced in 2016, is slightly different. While it agrees that employee representation at board level is a way of "enhancing the quality of board decision making", it goes further, pointing out that, "Workers' interests are affected by the priorities and decisions of company boards and it is therefore a matter of justice that they should be represented within those discussions."[15]

It explains its reasoning in more detail in the same document, as follows:

> *"The TUC believes that far from it being shareholders who bear disproportionate risk in companies, it is employees who bear the greatest exposure. Few workers can simply leave one job and walk into another. They invest their labour, time, skills and their commitment in the company they work for, and cannot diversify this risk. If this investment goes wrong, for whatever reason, workers and their families pay a heavy price – the loss of employment and loss of income, skills, confidence and health that this can bring. All too often redundancy can mean the end of someone's working life, particularly for older workers. If carrying risk gives rise to rights to representation and the protection of interests, this supports the case for workers' representation within corporate governance."*

The TUC therefore calls for a right to employee representation at board level, rather than leaving the choice by to companies. It calls for this right to apply in all companies with at least 250 employees, whether or not they are listed on the stock exchange. In smaller companies, those with between 100 and 249 employees, workers should, the TUC argues, be able to trigger rights to board representation either through their unions or through other existing consultative structures. These rights should apply irrespective of the board structure (UK companies overwhelmingly have a single-tier structure without a supervisory board) and there should be no requirement to move to a two-tier structure in order to have employee representation at board level.

In terms of the proportion of board members, the TUC proposes that employee representatives should make up at least a third with a minimum of two board members. It argues strongly against having a single individual on the board as the representative of the workforce, stating:

> *"It is particularly important to ensure that workers do not find themselves in the position of a lone voice on a board, which will inevitably increase the challenges of the role and make it harder to contribute effectively.*

On the question of who should be eligible to stand and how they should be chosen, the TUC proposes that all workers other than directors and senior managers, including those based outside, the UK should be eligible, and that nomination should be in the hands of the unions, existing consultative bodies or a specified number of workers. Nominated candidates would then be chosen through an election involving the whole workforce, including those outside the UK.

The TUC has given thought to the problem how to include non-UK employees and suggests that this could be left to negotiations between the management and the workforce, with fall back arrangements if they could not agree. This might involve linking the number of board-level representatives from a particular geographic area to the number of employees in that area,

14 Martin Gilbert: Workers on our board was a step in right direction, Evening Standard, 15 Noveber 2016 https://www.standard.co.uk/business/martin-gilbert-workers-on-our-board-was-a-step-in-right-direction-a3396021.html

15 All Aboard: Making worker representation on company boards a reality by Janet Williamson, Senior Policy Officer, TUC, September 2016

or having a representation at board level in the company's geographical regions, with these regional representatives then choosing the representatives on the main board. The issue of overseas employees is particularly acute in the UK as many of the largest companies listed on the London Stock Exchange have large non-UK operations, sometimes with more employees than in the UK. The problem of adequately representing non-UK employees at board level has already been presented as a reason for not making employee board-level representation obligatory.[16]

7 HOW THE TUC'S VIEW HAS EVOLVED

The TUC, which backed putting workers on boards when it was last proposed by a UK government in the 1970s, has moved gradually to its current position where it is calling for board-level employee representation. Twenty years ago, during the debate on new company legislation at the end of the 1990s, it was more cautious. Since 1995, it had called for worker representation on remuneration committees, which set executive pay in quoted companies, as a way as a way of controlling sky-rocketing board room pay. But in a document published in 1999,[17] it went further, stating that "board structures encompassing representative directors would provide one way of ensuring that stakeholder interests are considered at board level" and it referred positively to the experience with supervisory boards in Germany and the Netherlands. However, it did not make a direct call for representative directors to be introduced as of right, simply stating that "there should at least be an option for companies to adopt representational directors if they wish to do so".

More than 12 year later, in 2012, the TUC was still calling for worker representation on remuneration committees. A TUC report on the issue of executive pay, which was seen as a growing problem, stated that workers on remuneration committees "would bring a fresh perspective and common sense approach to discussions on remuneration, in contrast to the current culture that presides".[18] However, it also moved towards board-level employee representation, noting in the same report that, "While it is not necessary for workers to become company directors in order to serve on remuneration committees […] the TUC believes that workers would bring a valuable perspective to company boards".

A year later in a new policy paper,[19] the TUC made a clear call for employer representation at board level. The paper stated:

The TUC has called for worker representation on remuneration committees since 1995. […] Worker representation on boards is a step beyond this measure, but the principle of workers being represented in significant company decision-making processes is the same. The TUC therefore now believes that workers should be represented on company boards as full board members and that a legal requirement to establish a system for this should be implemented."

In the following year, in 2014, the demand for board-level employee representation became unambiguously TUC policy when its policy-making Congress unanimously passed a motion on corporate governance that included a paragraph stating:

> "*Workers should be represented on company boards as full board members and a legal requirement to establish a system for this should be implemented.*[20]

In 2015, the TUC republished a study of board-level representation across Europe,[21] in response to what it described in the introduction as "increased interest across the political spectrum and within the trade union movement in exploring options for workers' voice in corporate governance and worker representation on company boards".

8 THE VIEW OF THE LABOUR PARTY

Certainly there was interest in the Labour Party. Labour's 2015 manifesto promised the introduction of employee representation on remuneration committees,[22] and although this explicit commitment disappeared from the Labour Party's 2017 manifesto, it did say that "Labour will amend company law so that directors owe a duty directly not only shareholders, but to employees, customers, the environment and the wider public".

However, the real change came in September 2018 when the Labour Party leader, Jeremy Corbyn told the party's conference that,

16 Vince Cable, the leader of the Liberal Democratic Party from 2017 to 2019 and Secretary of State for Business, Innovation and Skills from 2010 to 2015, is reported to have taken this position in the TUC publication All Aboard: Making worker representation on company boards a reality.
17 Modern Company Law for a Competitive Economy – the Strategic Framework: A TUC response, TUC, May 1999
18 Worker Representation on Remuneration Committees: Why do we need it and how would it work in practice? TUC, January 2012
19 Workers on Board: The case for workers' voice in corporate governance by Janet Williamson, TUC, September 2013
20 Motion number 65 moved by the finance union Accord and seconded by the technical union Prospect, see TUC Congress 2014 – Final Agenda and Congress 2014 decisions on motions
21 Workers' voice in corporate governance: A European perspective, by Aline Conchon, ETUI and TUC, September 2015
22 It stated "we will make sure employees have a voice when executive pay is set by requiring employee representation on remuneration committees", The Labour Party Manifesto 2015

we're proposing to give the workforce of all large UK businesses the right to elect a third of the seats on the board, giving employees a genuine voice and a stake, shifting the balance at work in favour of the wealth creators, improving both decision-making and productivity in the process.

He went on to echo the TUC's reasoning for his proposal saying that "Decisions taken in boardrooms affect people's pay, their jobs and their pensions. Workers deserve a real say in those decisions. That's nothing for businesses to be afraid of. They should welcome the expertise and understanding that workers will bring to the company board."

The speech contained no details of how this might be implemented, but a document on corporate governance submitted to Labour's policy making process and promoted by Rebecca Long-Bailey, Labour's shadow business secretary (parliamentary spokesperson on business issues) set out some possible elements.[23] Although not Labour Party policy, it indicates how the commitment made by Jeremy Corbyn could be implemented. It proposes that, "for a company with 250 employees, at least one-third of the seats on the unitary [single-tier] board of a company be reserved for employee representatives, one of which could be allocated to a pension scheme trustee". In addition, it suggests that one director could be elected to represent consumers, and that companies might be able to choose between single and two-tier boards, with a higher proportion of employee representatives where there are two-tier boards.

Implementing any of this depends on Labour being in government, either on its own, or as part of a coalition, and this is far from certain. However, it is clear that Labour policy in this area has shifted towards board-level employee representation, and is now close to the TUC's position.

9 THE FUTURE

It now seems unlikely that the voluntary approach set out in the new corporate governance code, which was the final outcome of Theresa May's shock promise in 2016, will lead to large numbers of companies choosing to bring employees onto the board. Despite pressure from some investors, such as local authority pension funds and union pension fund trustees, to respond to the new corporate code by appointing representatives from the workforce to the board, the figures from the LAPFF suggest that few will do so. Even if they do, experience so far from the handful of companies which have moved in this direction suggests that workforce representation will consist of a single individual, and that management will have had a major role in his or her selection.

The code changes mean that workforce representation at board level in the UK is now more likely than at any time in the last 40 years. But more fundamental change, where board-level employee representation is widespread and the representatives are chosen by the employees, will probably only come after a change of government.

23 A Better Future for Corporate Governance: Democratising Corporations for their Long-Term Success by Prem Sikka and others, September 2018.

The I.M.U. (Institute for co-determination and corporate governance) is an institute of the Hans-Böckler-Foundation. Legal, economic and human ressource experts of the institute provide labour representatives on supervisory boards, works councils as well as executive labor directors. Democracy thrives on the active participation. We support a culture in which people can influence their future life. Democracy at work is the main goal.

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Publisher
Institute for Codetermination and Corporate Governance (I.M.U.) of the Hans-Böckler-Stiftung

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Issue
Codetermination Report No. 55e

ISSN 2364-0413

WWW.BOECKLER.DE