

Policy Paper

Empty Chair: It's Time for Workers on Boards

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Executive summary

Workers need more voice in the workplace. In 2016 this was recognised by prime minister Theresa May on the steps of Number 10, but action has failed to materialise. Rather than seeing an amplification of the voices of working people, worker representation has in fact got worse with trade union membership registering at an all time low last year. Meanwhile, CEOs continue to receive bloated pay packages and public sector workers face real term pay cuts.

The government has failed to listen to itself on the need to focus on working people and social injustices, as well as take heed of the clear message from Brexit voters that they want greater say and power.

Introducing workers on boards (WOBs) would start to address the dramatic imbalance of power between workers and their employers. Significant reform in this area is long overdue. Rather than opening another consultation or watering down statements made in 2016, the Conservative government should be championing a legitimate model of workers on boards that could have a serious, sustainable and positive impact.

Using interviews with WOBs and research that demonstrates best practice, this paper makes the case for the idea of WOBs to be taken far more seriously at a time when workers voices are in danger of disappearing altogether. In our interviews with WOBs in the UK we found:

- WOBs have had an impact on improving terms and conditions for staff, and have been able to ensure decisions are made with worker wellbeing in mind;
- The ‘embarrassment factor’ of having to argue the case for higher pay packages for executives with employees in the room restrained senior management pay rewards;
- WOBs believe their position would be meaningless if not supported by the trade unions present in their workplaces. This means they are democratically elected and have to answer to members;
- WOBs participation on company boards makes their relationship with management more effective. WOBs also reported they’ve helped to improve their trade unions relationship with managers, and thus ensure they are more informed about changes in the workplace;
- Although some have expressed concerns about the ability of worker directors to consider what’s best for the business as a whole, our research has found that WOBs

take this element of their position seriously. WOBs are aware of a possible conflict of interest in their position, and accept that they sometimes have to support decisions that could lead to redundancies or other negative impacts on other employees;

- WOBs accept there is a level of experience needed to do this role, and that it works best where there is trade union support and reasonable time allotted for them to dedicate to being effective board members.

We must move to having workers on both public sector and private company boards, but crucially this must be done in a way that is effective. We recommend:

1. WOBs should be members of a trade union: To avoid the obvious danger of WOBs being used as a public relations exercise, the employee representative should be a member of a trade union. In addition, the involvement of a trade union in the introduction of workers on boards in individual companies would ensure the measure has teeth and the worker's voice is heard, and offer knowledge and experience to the individual elected.
2. There should be more than one worker on each board: Having at least two workers on individual company boards would enable those employee directors to support each other, and ensure that personal circumstances don't lead to a lack of employee voice in the room for big decisions.
3. WOBs must be provided with adequate training and resources : Our research highlighted the specialist nature of the role of WOBs. As a full member of a company board, individuals have legal responsibilities to that company, and are presented with complex financial information. We also identified cultural differences, with UK based companies assigning fewer resources to WOBs than their German equivalents. UK WOBs should be entitled to time off for training provided by an individual trade union or the TUC to counteract this.
4. WOBs should be introduced with a package of wider reforms for best results. Our research has shown that introducing WOBs has real potential for improving the conditions of workers and giving them a voice, but it is not enough in isolation. The foundation of workplace rights is the ability of workers to come together and achieve change through collective bargaining. Only 26.3% of workers in the UK are covered by a collective bargaining agreement. CLASS continues to strongly recommend the restoration of sectoral collective bargaining to raise wages and conditions, and to redress the imbalance of power between employers and workers.

Introduction

“Too often the people who are supposed to hold big business accountable are drawn from the same narrow social and professional circles as the executive team [...] Later this year we will publish our plans to have not just consumers represented on company boards, but workers as well.”

These are not the words of a trade union official, or an inequality campaigner – they are an extract from a speech by Conservative prime minister Theresa May at her party conference in 2016. The statement was met with surprise, but welcomed by those who have been campaigning for workers on boards.¹

A year later, this policy has failed to materialise. With every government decision clouded by Brexit and after a mixed reaction from a nervous business community,² May’s original proposals have been dramatically watered down, and it’s been made clear that workers on boards will remain voluntary. The government response to an earlier consultation on corporate governance was to recommend yet another consultation on Conservative plans for workers on boards, rather than action.³

But the excesses of big business are certainly still an issue, particularly the growth in excessively high pay for top bosses. By 4 January this year, the average FTSE100 CEO had already made the equivalent of an average UK salary⁴ – that’s in just two and a half days.

There is also cross-party consensus that we need to tackle excessively high pay and give workers more of a voice. In the 2017 election, both Labour and the Conservatives pledged to take action on introducing workers on boards (albeit with very different approaches) in their manifestos, and stated that boardroom excess was a problem for the UK.

It’s not just politicians either: six in ten people support introducing elected workers to company boards.⁵

Of course, this is not just about excessively high pay and bonuses – workers on boards could play a key role in challenging the growing trends of low pay and

precarious employment, and the risks posed to jobs by increasing automation right at the top.

Brexit is no excuse for dropping worker participation on boards. If the surprise result of the EU referendum has taught us anything, it is that people want a voice. A desire to ensure that decisions about the UK are made in the UK has been identified as a major theme in the leave vote,⁶ illustrating that there was a feeling among the electorate that decisions were being made for them. In the light of this, it is more important than ever for workers to have a voice at work, and in the future of their company.

In this briefing we draw on interviews with workers on boards to remind people why workers on boards is a valid idea, how it benefits companies and workers where it is already in place, and potential models to make it work in the UK. We conclude that workers on boards is an idea whose time has come, but if we are to maximise beneficial outcomes we need uniform rules in place, and to ensure that workers on boards is a package deal with collective bargaining rights, not an alternative.

Why do we need workers on boards?

Strengthening workers voices and workplace democracy with workers on boards is not a new idea. In 1977, the Report of the Committee of Inquiry on Industrial Democracy (known as the Bullock report) was published. The report called for a complete rethink on workers participation at board level. Although collective bargaining was considered more favourably than the idea of workers participation in management decisions,⁷ the TUC included proposals for workers' participation as a package with extended collective bargaining rights in an influential 1974 report.⁸

Despite general agreement that workers should have more influence over corporate decision-making, there was still disagreement surrounding how this would be achieved.⁹ Opposition to introducing a form of co-determination/workers on boards in the UK was often linked to the belief that trade unions should be the only channel for worker representation and that workers on boards could be used as way to replace trade unions and democratic worker representation.¹⁰ Ultimately the Conservative government of 1979 abandoned experiments with worker representation and the focus shifted to laws limiting collective bargaining,¹¹ which reduced trade union membership and increased inequality.

Despite this shift, the debate around workers on boards is back. Against a background of stagnating wages, anger around excessively high pay at the top, growth in precarious employment and more than half of workers not feeling respected at work,¹² is it any surprise that we're talking about giving workers more power in their workplaces? Below we set out the four key benefits to having workers on boards.

1. Workers' voice

Including workers on company boards is presented as a mechanism to ensure that workers have a voice early on in big decision-making processes.¹³ This means that where a company is considering big mergers or acquisitions, workers on boards can

ensure that someone in the decision-making process is presenting the interests of workers from the very beginning.

Workers on boards would not only allow workers to articulate their concerns when big decisions are being made, but could also influence the day-to-day experiences of workers. A worker on the board has the potential to complement trade union activities by regularly raising issues affecting workers to management and providing another avenue to push to improve terms and conditions. During our interviews, we found that workers on boards had the opportunity to lead on projects focusing on issues such as health and safety, and had successfully changed the policies of their companies.

Ultimately, workers on boards, if introduced with relevant safeguards, is an opportunity to give people a real voice in their workplaces.

2. Long term decision making and stability in companies

Introducing workers on boards isn't just good for workers in individual companies. In a 2016 report, the Trades Union Congress (TUC) set out a case for workers on boards as a mechanism to increase overall economic stability by ensuring that business decisions are less short term.¹⁴ This case states that corporate governance is in urgent need of reform - something that became obvious after decisions made in board rooms led to the financial crisis - and that the obligation of directors to work for the benefit of shareholders does not necessarily encourage long term stability.¹⁵

Shareholders are now more likely to be institutions than individuals, with many employing intermediaries to exercise votes on their behalf.¹⁶ It is in the interest of these investors to see return on their investments, while electing workers to a company board would allow individuals with a longer-term interest and personal stake in the company to have influence over decision-making.

3. High pay

High pay has generated countless headlines, and even business leaders accept that something must change, with a top executive at accounting firm PwC commenting:

“We need to find a way to answer public concern about executive pay or matters will be taken out of our hands.”¹⁷; and the Institute of Directors acknowledging that it is increasingly clear there are issues with executive pay at top companies.¹⁸ That time might yet come, with both the Labour party and the Conservatives calling for action on business excess and excessively high pay.

The average pay of a FTSE100 CEO in the UK increased from £4.1m in 2010 to almost £5m in 2014.¹⁹ In 2015, average pay for FTSE100 CEOs was £5.3m - this is 386 times the annual income of a worker on the national living wage.²⁰ By 4 January this year, the average FTSE100 CEO had already made the equivalent of an average UK salary²¹ – that’s in just two and a half days. Meanwhile teachers and midwives are expected lose more than £3000 by 2020 if government policy on public sector wages continues,²² and average wages in real terms still haven’t recovered since the financial crash in 2008.²³

If workers had a voice in pay decisions for top bosses, it would arguably become much more difficult to justify a culture of huge bonuses, particularly where a company is not doing well. In Germany, which has had workers on the boards of large companies under co-determination rules, executive pay had historically been restrained compared to the UK.²⁴ This has been partially attributed to co-determination laws in Germany, where half of the supervisory board in large companies are from the workforce.²⁵

Employee Board Level Representation (EBLR), or workers on boards, has been presented as a mechanism to help tackle high executive pay, and therefore wider inequality. Of course, there are other options to tackle excessively high pay, such as a pay ratio, or strengthening the ability of shareholders to reject excessively high pay packages.

4. Brexit uncertainty

The ongoing Brexit negotiations represent a period of great economic uncertainty, and it is not clear what the eventual deal will look like. We don't even know how long a transition period might last post 2019, when the official deadline for Article 50 negotiations has passed.

Businesses expressed concerns during the referendum campaign about the impact of a Brexit vote. Post referendum we have seen a slow trickle of bad news from businesses in the UK, while some have also seen a boost in revenues, largely put down to the relative weakness of the pound.

However, our concerns must be with the impact of this uncertainty on the jobs and wages of everyday people. While there are real concerns that businesses may struggle and jobs will be lost post-Brexit, an equally pressing concern is mounting evidence that employers are using Brexit as an excuse to freeze pay or offer below inflation pay increases.²⁶

Whether Brexit impacts workplaces directly, or is used as a justification for unpopular decisions, workers urgently need a voice in the uncertain times ahead for their workplaces. Worker representation has been found to ensure that workers views and interests are taken into account at an early stage.²⁷

What do real world examples of workers on boards tell us?

While the above sounds good in theory, how does it work in practice? We asked workers on boards about their roles, and present our key findings below.

1. Workers on boards feel they have impacted decision making and pay packets

Workers on boards have had an impact on terms and conditions for staff:

“I think there are a large range of benefits aside from pay, with terms and conditions more generally. The employee director has a direct influence in ensuring that the staff voice is always there and recognized.”

“We’ve had loads of success on policy stuff like the carers leave, flexible working policies, all that sort of stuff.”

But WOBs have also had a tangible impact on pay and bonuses at the top:

“The committee can veto or accept that and we have on occasions said that person doesn’t deserve that”

“When we, recently we had a debate about bonuses. Now, bonuses that were put down were 150%, we said no, and with the position we were in we couldn’t accept it. We said 100% if they’re doing very well, if they’re superman, but it’s still a huge amount. The shareholder directors weren’t happy with that and suggested 130%, and we ended up with that.”

On bonus payments: “I think decisions would have been made differently if there wasn’t an employee director, but this is a well-established situation so the system has developed around an employee director being present.”

2. The ‘embarrassment factor’ impacts on pay decisions for executives

Even if workers on boards are not directly voting on pay packages (it is sometimes handled by a subcommittee, or more centrally in the public sector with WOBs only able to vote on bonuses) the other board members have to argue their case with an employee representative in the room.

On executive bonuses: “...they get embarrassed at the time, they might be quibbling over whether it’s the bottom rise or a medium rise, knowing full well that I represent people who’ve had a 1% rise for the last 5 years, you know.”

3. Workers feel their position has complimented trade union activity

Workers feel their position has helped rather than hindered trade union activity by giving them more influence and informing them about the strategic direction of the company, even sometimes with some discreet heads up on big events like mergers. Workers are also aware of potential issues, and some had changed their own opinions.

“When it was first introduced, I think the late 90s in Scotland, I was approached to stand and I said no, it’s nonsense and tokenism, and now here I am 20 years later saying it’s wonderful”

Workers also feel they’ve helped to improve their trade union’s relationship with managers and are kept informed by the employee director role.

“I was a branch secretary before my current union was formed and you sometimes found about things on the front page of the local paper when it was your own hospital, but now there’s an open dialogue.”

“Depending on who is elected to the position, in my case it strengthened the understanding.”

4. Workers feel participation on company boards makes their relationship with management more effective

Workers feel that participation on company boards makes their relationship with management more effective and believe they have secured better conditions for staff.

On relationship between managers and trade unions: “I was a union branch secretary before and you sometimes found out about things on the front page of the local paper when it was your own workplace, but now there’s an open dialogue.”

“I think the outcomes for staff through partnership working are better than they would be without it. The employee director role is the pinnacle of that relationship, so it’s an essential part of ensuring that partnership is there, works well and brings benefits to staff”

5. Workers are aware of a possible conflict of interest in their position

Although business organisations such as the Institute of Directors have expressed concerns about the ability of worker directors to consider what’s best for the business as a whole, our research has found that workers on boards take this element of their position seriously.

Workers are aware of a possible conflict of interest in their position, and accept that they sometimes have to support decisions that could lead to redundancies or other negative impacts on other employees.

“You have to look at the longer term, and think what’s best for the business; you have to take a bit of a different view, which is not easy. Because as a director your responsibility is slightly different to the role of a trade union rep, you’re responsible for the whole company”

“The biggest thing I’ve been involved in... was difficult for me because I’d got friends that I knew would be impacted. How do I go to work and face them? When I know this is happening in the background.”

“I seem to wear three hats: my trade union hat, my work hat, my supervisory board hat.”

6. Workers accept there is a level of experience needed to do this role

It was suggested by interviewees that a worker on a board would ideally already be a full or part time trade union official. This would be an individual who is already working full or part time as a union representative to support colleagues in their workplace, giving them an understanding of the work of the union and issues facing their colleagues.

“I think it would be a huge leap for someone coming off the tools, and being elected to this, because it’s a culture shock”

“I think it would be very different as just an elected member of staff. The trade union link is very important.”

One interviewee expressed that trade union membership wasn’t just about support for the worker on the board, but also to ensure that the individual would represent the views of the workplace in good faith:

“I would say if it was my company, I would want people who are trade union affiliated otherwise they might have their own agenda and that would concern me.”

How can we make workers on boards work in the UK?

Our interview findings demonstrate that workers on boards has real potential to introduce employee voice at the top of companies and tackle excessive pay packets and bonuses. However, there are several potential models for workers on boards, and the detail is important.

The model proposed by the Conservatives in their 2017 manifesto included a pledge to legislate to ensure workers' interests are represented at board level in listed companies, giving three options,²⁸ all of which fall short:

- Nominate a director from the workforce; This may seem promising at first, but the example of Sports Direct demonstrates the pitfalls of an approach that doesn't include an election, and involvement of a trade union where one is active in the workplace (as Unite is in Sports Direct, see fig. 1).
- Create a formal employee advisory council; An employee advisory council would not have any formal powers to vote on board decisions, and there are no suggestions that the board of directors would be obliged to consult such a body at all.
- Assign specific responsibility for employee representation to a designated non-executive director; To assign responsibility for worker representation to a designated non-executive director is, again, too vague a promise. This could involve anything from adding this responsibility to a corporate website biography, to appointing trade unionists to boards.

The biggest issue of course is that WOBs would still be voluntary. We do not see any evidence that UK companies will start introducing workers on boards unless they have a legal obligation to.

Below we set out three existing models of workers on boards.

1. UK Workers on boards

FirstGroup is the only UK PLC with a worker on its main board, and this position has existed since the company was founded in 1989. Within FirstGroup, divisions elect workers as members of divisional boards, and those workers then elect a representative to the group board.²⁹ Notably, FirstGroup reps cannot be Trade Union officials, a measure purported to ensure that pay negotiations and bargaining are still held within the union structures.³⁰

First Group stated in their 2017 annual report that the role of employee director was “extremely beneficial” to the company.³¹ When contacted, a spokesperson for First Direct stated: “In our experience, the perspectives and input of Employee Directors aids decision making and demonstrates the company’s commitment to hear from our workforce.”

NHS Scotland has also included elected workers on their boards. This was described by an interviewee as a “...natural progression from partnership working [between workers and management]...which has become engrained in the culture.” In contrast with SE companies, NHS boards have only one employee director, although this was not mentioned as a disadvantage by NHS Scotland interviewees, despite a worker on the board of an SE company (where the number of shareholder directors and employee directors was 50/50) stating they felt strongly about equal representation of worker and shareholder directors. This may be due to a different working culture, with long term partnership working in the NHS making board decision-making more collaborative and less adversarial.

Due to the differing approaches to workers on boards in the UK, along with the extreme example of Sports Direct (fig 1.), a uniform approach to workers on boards is needed. As there is currently only one UK Plc. with a worker on a board it is also clear that political support for WOB is meaningless unless it also proposed as mandatory.

2. Societas Europaea (SE) companies

Other UK workers on boards can also be found on the boards of Societas Europaea (SE) companies - a new legal category of company essentially creating a European

public limited company, introduced into EU law – which are obliged to provide a mechanism for the involvement of employees.

There are approximately 42 SE companies registered in the UK,³² although UK workers can also be present on the board of SEs registered elsewhere. As we found in the course of our interviews, there are often rotations between workers in different EU countries, and UK workers are not guaranteed a voice.

Post-Brexit, it's unclear what the status of SE companies will be, or if it would be possible to automatically convert SE companies registered in the UK into UK PLCs.³³

3. The German Model

Several European countries have some form of EBLR, but the most commonly referred to example of worker participation at board level is in Germany, where public companies employing over 500 people are required by co-determination legislation to appoint employee directors to a third of supervisory board places – in a company with over 2,000 employees half must be worker directors. Co-determination in Germany began with the right for workers to elect shareholders, and was negotiated via collective agreement between labour representatives and businesses,³⁴ demonstrating again the importance of maintaining and expanding collective bargaining as a foundation for labour rights.

German companies are structured differently from many in the UK, with a two-tier board system – the management board and the supervisory board – where the management board is responsible for strategic decision making and the supervisory board is comprised of non-executive directors who can reject the decisions of the management board, appoint executives to it and set their salaries.

While executive pay in Germany has been restrained by co-determination and the presence of 50% employees on large company boards, it's been rising in recent years due to variable pay – a greater proportion of pay being linked to share prices.³⁵

Although the British Bankers Association has expressed concern that the role of unitary boards would be undermined if introducing workers on boards in the UK followed the German model,³⁶ FirstGroup continues to operate a unitary system.³⁷ In fact, there are five countries where worker representation on boards is combined with unitary board structures.³⁸ This implies that it is not necessarily to change unitary board structures in order to introduce worker directors in the UK.

It is important to note that there are cultural differences in workplaces in the UK and Germany, and different levels of resources have been made available to workers on board in each country. Workers on boards of European SE companies who were interviewed for this paper are aware of these, with one stating: “In Germany they have PAs, but I’ve not had a PA. I could do with it at times...maybe I should ask for one!”

Previous research by the High Pay Centre concluded that the German model has been successful overall, although it has taken many years for successful co-operation to become ingrained in German corporate culture – shareholders actually tried to take the government to court when the measure was first introduced.³⁹

What could go wrong?

While a properly implemented requirement for workers on company boards has the potential for a positive effect on both employee voice and wider economic stability, there are valid concerns about what could go wrong.

1. Workers on boards as a public relations exercise

Several UK companies have been ‘named and shamed’ for exploitative employment practices over recent years. The rise of zero hour contracts and bogus self-employment in a growing gig economy has caused several high profile campaigns by trade unions against unscrupulous employers. Could workers on boards become a PR exercise for these companies?

Undoubtedly, tokenism is a risk where workers on boards are not introduced with national rules. See figure 1 for an assessment of how Sports Direct have attempted to do just this.

2. Workers on boards won’t have the specialist knowledge to fulfil their role

In the course of our interviews, we identified significant cultural differences in the approach to and resources made available to workers on boards. Even within the same SE company, there are examples of a worker on the board from the UK being given less support, while colleagues based elsewhere have Personal Assistants to help with the workload.

Brendan Barber, the chair of the employment conciliation service ACAS, has questioned how worker representatives would be chosen, what facilities they would get and how they would be trained.⁴⁰

One interviewee expressed that becoming a worker on a board would be very difficult for an employee moving directly from the workplace, and recommended that a trade union rep on full time release stand for the position, while another

stated: “There’s no shadow a of doubt you need to be a member of a trade union, and understand the realms of the trade union”. It’s clear from our interviews that current workers on boards feel strongly about the need for training and support for the role.

Fig 1: Case study: Sports Direct

Sports Direct founder and CEO Mike Ashley was questioned by the Business Select Committee last year for employment practices in their warehouses and stores that one MP later compared to a “Victorian Warehouse”.⁴¹ In April 2017, Ashley attempted to put the scandal to bed by introducing a worker to the board of Sports Direct.

Isn’t this a good thing?

The model Sport Direct has used to include a worker on their board is a perfect illustration of what can go wrong without national rules in place for the inclusion of workers at board level.

Firstly the elected representative is not actually a member of the board, but is simply invited to board meetings. This means they have no vote, and can only observe and comment on decision making. Secondly there is no trade union involvement. The company was responsible for running the assessment process and choosing the shortlist of candidates that was put to the vote.

As summarised by Assistant General Secretary of Unite, Steve Turner:

*“Given Sports Direct's past behaviour and its refusal to involve Unite, we remain deeply sceptical about the process and whether a single unsupported representative will have a meaningful voice on a board which has been severely criticised for poor corporate governance”.*⁴²

3. A conflict of interest too far

We have noted that workers on boards are aware of a conflict in their role between responsibilities as a director and responsibilities to the workers. However, there is a risk that this conflict would benefit the management over the workforce, by pressuring workers on boards to prioritise confidentiality rules where there may have been mismanagement on the part of the company.

Under the Companies Act 2006, a director of a company must act in the way most likely to promote the success of the company, for the benefit of its members, while having “regard” to other issues including the environment and the companies employees;⁴³ this is commonly interpreted as making shareholder profit the primary responsibility of a company director. It is clear that this would be a conflict for a worker who is elected to the board by their peers to represent and prioritise the views of the workforce. For an extreme example of the consequences of workers on boards being caught up in a conflict of interest, see figure 2 below.

Fig 2: Case study: Volkswagen

In 2015, an investigation by the United States Environmental Protection Agency found that Volkswagen had been deliberately programming their cars to produce fewer emissions in testing than in real world driving, effectively passing environmental standards only when inspectors were watching.

The resulting scandal led to a number of high profile employees being suspended, and a resignation from the CEO and chair of the board. The chair later went on to claim that the supervisory board, and thus employee directors, had known about this scandal for months beforehand.

How does this impact workers on boards?

Workers on company boards have legal responsibilities to that company. Without adequate protections, workers might feel pressured to keep quiet about dodgy dealings they hear in the boardroom. This doesn't just compromise the individual elected to represent the workforce; in the case of Volkswagen it led to a large number of cars on the road producing unsafe levels of pollution.

Conclusions and recommendations

1. The time has come for workers on boards

It's clear that proposals to introduce workers on boards aren't going away. With cross party consensus, support from the public and a growing body of evidence demonstrating the advantages of employee voice in the board room, we think the time has come for workers on boards.

The issues of worker voice, excessive executive pay and long term decision making are even more pressing under the shadow of Brexit and economic uncertainty. It is working people who will feel the effects of Brexit, and we strongly recommend the introduction of workers on boards in order to give them a voice.

2. Workers on boards should be members of a trade union

To avoid the obvious danger of workers on boards being used as a PR exercise, the employee representative should be a member of a union. We also recommend that the trade union, where there is one active in the workplace, is involved in the introduction of employee directors. We suggest this could be done by entering existing trade union workplace representatives into a ballot so that their fellow employees can vote for their chosen board level representative. Where there is no active trade union in the workplace, employees must still have the right to elect their representative.

The involvement of a trade union in the introduction of workers on boards in individual companies would not only ensure that the measure has teeth and the worker's voice is heard, but would also offer knowledge, experience and support to the individual elected.

3. There should be more than one worker on a board

We recommend there be at least two workers on individual company boards. This would enable those employee directors to support each other, and that personal circumstances couldn't lead to a lack of employee voice in the room for big decisions.

More than one worker being elected to a board would also give the employee representatives more votes in decision making, further encouraging other board members to consult with those workers.

4. Workers on boards must be provided with adequate training and resources

Our research highlighted the specialist nature of the role of workers on boards. As a full member of a company board, individuals have legal responsibilities to that company, and are presented with complex financial information. However, our research has also identified cultural differences between the way workers on boards in approached by companies in the UK and Germany, with UK based companies assigning fewer resources to workers on boards than their German equivalents.

To overcome a lack of awareness about the role of workers on boards in UK business culture, we recommend that UK employers have a duty to provide reasonable support for employee directors. This should be in the form of time off for trade union activities, so that training can be provided either an individual trade union, or the TUC.

5. Workers on boards should be introduced as part of a package of wider reform for best results

Our research has shown that introducing workers on boards has real potential for improving the conditions of workers and giving them a voice, but WOB is not enough in isolation.

The foundation of workplace rights is the ability of workers to come together and achieve change through collective bargaining. Only 26.3% of workers in the UK are covered by a collective bargaining agreement;⁴⁴ CLASS continues to strongly recommend the introduction of sectoral collective bargaining to ensure protection of workers sector by sector.

6. Workers on boards need strong protections against conflicts of interest

The position of workers on boards can be a complex one, as noted by our interviewees. There can be a conflict of interest between acting for the company, and speaking on behalf of the employees. Workers on boards must be able to speak up when a company is taking action that could harm their workers, or wider society. We propose the following measures to empower WOBs to speak up:

a) Whistle-blower protections

As a basic level of protection, workers on boards must be able to speak out about mismanagement, or more serious issues including fraud. For workers on boards, and subsequently the trade union they are supported by, to become involved in a scandal caused by bad behaviour on the part of the company undermines worker participation and could have legal ramifications (see 5.3: a conflict of interest too far).

b) An exemption to the requirement to act solely for shareholders

Under the Companies Act, directors of companies have a responsibility to act for shareholders and to maximise profit. We would recommend that worker directors are either entirely exempted from this requirement, or that at the very least they are given the ability to prioritise acting for the workers at that company.

c) Right to recall

As a final measure to protect WOBs and the workers they would represent from the risks of conflicts of interest, we would propose that workers, and the active trade union where there is one, have a mechanism to recall individuals who are not adequately fulfilling the role.

Appendix

We have interviewed four workers acting as board level representatives (or employee directors) to hear their views on their role, conflicts of interest, and their impact on decision-making. These interviews were conducted as structured questionnaires. We interviewed workers on boards of the following organisations:

- NHS Scotland
- E.ON
- Allianz

Our key questions included:

- How much influence do workers on boards have on board level decision making? Specifically, how far can workers on boards influence decisions on executive pay?
- Do workers on boards have equal status to other board members, or can their position be tokenistic?
- Can the presence of workers on boards improve the relationship between employees and management?
- In companies where there is employee board level representation, do those workers feel their role compliments or hinders trade union activity, and more specifically collective bargaining power?

Notes and References

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