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**Paper Title:**

**Trade Unions and Corporate Governance in the United Kingdom: Are Workers on the Board back on the Agenda?**

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**Bio Note:**

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**Abstract**

The participation of labour in corporate governance in the United Kingdom (UK) has variously risen and fallen on labour movement agendas over the decades. There have always been mixed and often opposing views and aspirations in regard to both board level participation of labour and trade union representatives and to consultative participation at workplace level involving management and workers. Management has similarly displayed variable positions, ranging from vigorous opposition to workers' participation or pragmatic

concession of utility factors of labour participation in decision-making. Participation efforts, including the labour – management partnership undertakings in the 1990s have, for many observers, yielded disappointing results. Substantive labour participation in highest level and strategic company decision-making now attracts only sporadic discussions in industrial relations debates in the UK.

More recently, two significant occurrences exert new pressures and open opportunities for institutional innovation. The most salient is the global financial crisis of 2008 and its aftermath that has exposed a vast crisis of corporate governance. The second is the less visible, dynamic effect of European Union (EU) corporate governance and labour institutions on UK companies and organizations. Notably, the European Works Council directive, the directive on employee participation accompanying the European Company statute (SE) and the Information and Consultation of Employees directive respectively transposed into UK law over the last fifteen years alter the traditional voluntarism of much UK regulation. Their effects of formally raising labour's voice are slowly emerging. This paper draws on qualitative research involving interviews with trade union actors and labour researchers. It discusses contemporary expressions of workers' and trade unions' interest in corporate governance and participation in highest level decision-making in the UK.

## **Introduction**

The participation of labour in corporate governance in the United Kingdom (UK) has variously risen and fallen on labour movement agendas over the decades. There have always been mixed and often opposing views and aspirations in regard to board level participation of labour and trade union representatives. Some fear the risk of labour's incorporation and disempowerment and favour exclusive adversarial engagement. Others seek labour's full representation as a social democratic political right and a direct avenue of regulating the firm. Management has similarly vigorously opposed participation or pragmatically conceded to the

legitimation factor of forms of labour participation in highest level firm decision-making notably in the 1970s. The Bullock Report of 1977, that recommended the formal establishment of labour's board level representation in firms in the UK, as in many Continental European countries, represented the culmination of efforts that sought more conciliatory and collaborative industrial and corporate relations. The subsequent Thatcher era in the UK systematically defeated and marginalized those efforts.

Sparks of interest endured, including the labour – management partnership efforts in the 1990s. But participation efforts have, for many observers, yielded disappointing results. Substantive labour participation in highest level and strategic company decision-making now typically attracts only sporadic discussions in industrial relations debates in the UK. More recently, two significant occurrences exert new pressures and open opportunities for institutional innovation. The most salient is the global financial crisis of 2008 and its aftermath that has exposed a vast crisis of corporate governance. The capture of corporate governance by finance economics, shareholder maximization and senior executives' vice is now openly called into new question and demands new political response. In the UK, corporate crises and scandals are a frequent occurrence attracting high media attention and political leaders' calls for amended behaviours.

The second is the less visible, dynamic effect of European Union (EU) corporate governance and labour institutions on UK companies and organizations. Notably, the European Works Council directive (94/45/EC), the directive on employee participation accompanying the European Company statute (SE) (2001/86/EC) and the Information and Consultation of Employees directive (2002/14/EC) respectively transposed into UK law over the last fifteen years alter the traditional voluntarism of much UK regulation. Their effects of formally raising labour's voice are slowly emerging.

Most especially, the global financial crisis and the crisis in corporate governance provide labour leaders with a platform to launch fresh debate and demand. This paper, based

on qualitative research of interviews with trade union actors and labour researchers, discusses contemporary expressions of workers' and trade unions' interest in corporate governance and participation in highest level decision-making in the UK. It addresses the roles, both formal and normative, of European corporate governance and labour institutions brought to wider influence. European Multi-national Corporations (MNCs), establishing transnational workplaces and workforces through their subsidiaries, affect dissemination and innovation labour and governance regimes. The paper is structured as follows. The introduction is followed by a contextual discussion of corporate governance, and of labour's interest in corporate governance in the UK. That is followed by a broad illustrative sketch of key efforts in advancing participation and voice expression in high level company decision-making. Discussion is then developed of influences from EU directives and company expansions across borders. From there, presentation and discussion of a qualitative empirical study follows and an interpretative analysis is developed. Further remarks and reflections are made in conclusion.

### **Corporate Governance**

A political science and sociological debate expressed in comparative capitalism and comparative institutional analysis literatures, especially the 'varieties of capitalism' approach following Hall and Soskice (2001), has usefully exerted much influence over the last twenty years (Hanké 2011). It depicts generalized systems that differ in their ways of regulating capitalist action. While that debate has developed more complexity and heterogeneity in observing systems in the advanced economies (Deeg and Jackson 2007; Lane and Wood 2012), its initial identification of a liberal market economy, typically an Anglo-Saxon or Anglo-American model of liberal market economy, and a German-style, coordinated market economy marks a significant pointer in debates. In the coordinated market economy, a broad stakeholder approach that includes workers' interest representation and participation alongside that of shareholders and the state is evident. The Anglo-Saxon or Anglo-American liberal

market economy model of capitalism (stylistically including the USA and Canada, the UK and Ireland, Australia and New Zealand) is noted, among other characteristics, to prioritize and maximize shareholder interests in firm governance.

Among its stylized characteristics, corporate firms in the UK (and US) tend to have dispersed shareholders frequently with short-term interests of profit maximization. It is assumed that if shareholders are not satisfied with returns, their mobility of capital enables them to shift investment to another firm. Dispersed and mobile shareholding encourages short-term interest and discourages long-term investment and company operational qualities. The UK and US approach to corporate governance, ownership, liberal capital movement, and management control, are said to enable greater pace of market-responsive change, innovation and market expansion. That approach, however, contributes to weak monitoring of management, short-termism, wage and benefit inequalities, and exclusion of legitimate stakeholders' interest from corporate governance participation.

Alongside the political science debates on corporate governance, an extensive Anglophone business economics literature generally assumes that corporate governance is predominantly concerned with shareholder interest maximization. Actors in governance are company owners, executives and non-executive advisors. Other parties with a stake in a corporate enterprise may be recognized but rarely accorded a voice in company decision-making at the highest levels. Significantly, even as a firm's employees can be keenly affected by governance decisions, provision for workers' participation in governance is scarce and frequently regarded as controversial (Gospel and Pendleton 2005). For many business analysts and practitioners, workers' interests do not warrant a legitimate voice in corporate governance other than, at best, through their shareholding interests as pension-fund investors. Workers' voice is usually expected to be expressed solely at the level of workplace and employment relations decisions.

Corporate governance is generally understood to refer to regulatory arrangements that govern the ownership and control of organizations. Early studies, notably those of Berle and Means (1932), focussed on the divergence of interests between owners (principals) and managers (agents). Extensive studies in law and economics and management literatures have explored the management of those interests and how they might be aligned. The principal / agent theory continues to be popular and frequently taken for granted. In the UK, the Companies Act (2006) endorses the rights of owners to operate their companies in pursuit of shareholder interests. Prominent features of corporate governance include the role and function of directors, methods of financing the corporation, market strategies, investment decisions, executive and managerial pay and monitoring of decision-making at operational levels. Firms make decisions about investments in plant, regional locations, staffing levels and resource allocation. Even as these matters can have immense importance for interested parties both within and outside the company, their immediately practical concern for the firm in its day-to-day operations and market viability have tended to make corporate governance largely the domain of business economics and strategic management studies. Until recently, the expectation that corporate governance was both a private, internal matter for the company and that it would be conducted with due diligence and effectiveness ensured that corporate governance was not a matter of public or social scientific salience.

The occurrence of serial corporate scandals and crises has been a significant factor in bringing questions of corporate governance to the foreground. Fresh debates on corporate governance and its reform include legal, normative and behavioural dimensions (Wright et al. 2013). In the UK, the Companies Act of 2006 and the voluntary UK Code of Corporate Governance (including the influential Cadbury Code) include reference to sets of interests that directors must take into regard. In addition, factors of “financialization” of corporate value and market action have attracted much research and policy enquiry. Many analysts regard financialization – in which all value in a company’s operations and exchanges are reduced to

financial calculation, and in which profit-making is achieved through financial exchange rather than through commodity production and exchange – to comprise a new mode of capitalist accumulation evident over recent decades. It is a key driver of changes in macroeconomic governance as well as global market expansion. Sophisticated financial innovation and ICT systems have intensified global capital movements and enabled many new powers and capacities for corporate firms (Aglietta and Rebérioux 2005; Jacoby 2005). Intensified financial trading and high-speed brokerage has also enabled a rise in hostile takeovers in liberal market societies (Culpepper 2011). Financial innovation has induced many shareholders to engage in high-turnover trading and to speculate on short-term pricing. The rise of private equity firms that aggressively pursue shareholder interest maximization frequently treat operating companies as a commodity for buying and selling. Firm decisions in mergers and acquisitions ineluctably affect labour – the employees of the firm as an organization with operations and on-going concerns. On the basis of labour’s human capital investment in the firm, labour has an objective interest in corporate governance. This point is further elaborated below.

Corporate boards in the UK are conventionally composed of independent directors – that is, persons who are not company officers, who represent shareholders. Their role is intended to monitor management and ensure that principal (shareholder) interests are maximized. Research on boards of directors reveals that boards often lack information and expertise (Davies et al. 2013). Hence CEO’s are frequently able to persuade boards to agree with recommendations put forward by executives and firm experts. That persuasive power and inside knowledge includes CEO’s claims to huge remuneration packages. That occurrence in turn presses executives to favour share price maximization. Maximization of price offers shareholders high benefit in the short-term but long-term investment is prone to neglect. The interests of other stakeholders in the firm, especially labour interests, can be severely disadvantaged or contravened.

Growing debates on functions and structures of corporate boards and director behavior which point to serious problems and issues in corporate governance practice draws much attention. Furthermore, as Appelbaum and Hunter (2005) argue, traditional board arrangements alongside the normative behavioural expectations of board members can exert a considerable effect. In the UK, (as in the US) non-executive directors rarely get involved in day-to-day governance. Legislative changes endeavor to put in place firmer regulations of companies, such as the UK Companies Act and its efforts to place executives under closer scrutiny and accountability.

Taking a broader political science approach, corporate governance is understood to include national macroeconomic social and political institutions governing economy, business, work and production, as well and firm-level systems (Aguilera and Jackson 2003). Literature addresses linkages or complementarities between industrial relations and corporate governance (Hall and Soskice 2001; Hopt 2012) and raises insight into the interrelationship between systems of governance and work organization. Extending beyond a business and management approach corporate governance institutions may be more fully understood as outcomes of political, social and economic actions that are affected by their historical and cultural contexts. In sum, corporate governance is about key decisions regarding the strategic aims and direction of the company, how resources and profits are allocated and distributed. It is about power relations between various key actors. Those actors while most prominently comprising owners and managers also includes labour. Who controls the firm, whose interests are served, and how control is exercised matter to workers. Labour has an important interest in corporate governance even though its direct involvement in formal processes may be limited or minimal or absent (Pendleton and Gospel (2013).

### **Labour and Corporate Governance in the UK**

Labour's interest in corporate governance, understood as highest level or strategic

decision-making, as noted above, has been mixed and marked by ambivalence. For much of the early post-war decades labour's interests in firm governance were expressed in movements for industrial democracy. Advocacy for expansion of democratic sensibilities and practices in the broader polity into industrial organization – at least in regard to representation of workers in company decisions affecting workers – was taken up in many developed countries. A number of European countries found concrete applications of ideas of industrial democracy and broad participation in decision-making with Germany's codetermination (*Mitbestimmung*) system being the exemplar. The UK, along with other Anglophone countries, developed industrial democracy movements (Harley et al. 2005; Lansbury 1980; Poole et al. 2001). In the UK, those movements typically favoured trade union action in collective bargaining as democratic and adversarial practice. But by the late 1970s the Bullock Report of a high level policy inquiry into industrial democracy<sup>1</sup> reached beyond conventional expectations of hostility to participation for fear of “company unionism” and recommended worker participation on corporate boards of UK companies.

While efforts for organizational democracy have intermittently gained support, organized labour has more generally pursued industrial democratic expression through union building and adversarial relations. A mix of social-democratic approaches expressing workers' rights at work with pragmatic acceptance of conflict of capital-labour interests is broadly observed. Trade unions have variously been wary of collaborative participation for fear of losing union autonomy and adversarial power (Edwards 1986; Kelly 1998; Lecher et al. 2002; Ramsay 1977). Employers in the UK have long been wary of claims for labour, through trade union representation, to participate in corporate governance. Employers fear that trade union

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<sup>1</sup>The Bullock Report, 1977, is the title of a report of a Committee of Enquiry into Industrial Democracy that was established by the UK Labour government in 1975. A key factor in its formation was a response to the European Commission's Draft Fifth Company Law Directive regarding worker participation in companies across Europe. The Fifth Company Law directive never eventuated, but its transmutation into the regulations for the European Company (SE) must be noted although discussion deferred in this paper.

involvement poses a direct challenge to and diminishment of the authority of management. The arena for workers' interest expression and participation is usually expected to that of trade union led collective bargaining. Other forms of organizational participation are assumed to be within the workplace and in interlocution with managers.

Labour's efforts to effectively participate in or influence powerful relations of production and employment experienced sharp curtailment under the well-known turn of neo-liberal ideologies across Anglophone, and other, countries since the latter 20<sup>th</sup> century. The resurgence of corporate firm powers including reasserted shareholder sovereignty and financialization of firm value, the rise of mergers and acquisitions and globalizing markets have exerted similar patterns of effect, including a retraction and marginalization of efforts for industrial democracy. Labour scholars have especially addressed the effects of neoliberal macroeconomic governance on labour and trade unions. Many report a secular decline of trade union powers and uneven retention and vigour of trade unions across sectors and countries (Crouch 2014; Gumbrell-McCormack and Hyman 2013) alongside new capacities for firm profit-taking and labour exploitation.

Labour's weakened or re-subordinated status in industrial and corporate politics has not silenced workers' interest expression. In addition to traditional trade union institutions and avenues, workers demand forums for the expression of "voice" within organizations and workplaces and through firms' HRM systems. A rich industrial relations literature on workers' voice and participation documents these efforts and debates (Budd et al. 2010; Hall and Purcell 2012; Marginson et al. 2010; Wilkinson et al. 2010, 2014). Analysts understand employee voice as: "incorporating representative voice and various forms of participation developed directly between management and workers" (Freeman *et al.* 2007: 3). Wilkinson and colleagues' (2013) provide extensive discussion on employee voice as "participation and involvement" or EIP. They identify a range in regard to "scope, depth, level and form" of employee participation and involvement. Marginson et al. (2010:152) note that Britain's

institutional arrangements “are relatively permissive of variation in industrial relations practice, including employee voice arrangements” which accounts for the variations of scope and vigour of voice. However, there is much consensus among researchers over the recent two decades that neoliberal license has cast a powerful hand to employers in the UK in circumscribing the expression and effectiveness of employee voice (Purcell and Georgiadis 2007, Wilkinson et al. 2013, 2014). Employers in the decades since neoliberalization have become less constrained, and or pressured, to more aggressively pursue their preferences vis a vis workers and trade unions. Many voluntarily inclusive arrangements for workers’ voice have been retracted.

Labour’s mix of macroeconomic and industry levels of engagement, including adversarial bargaining, and immediate voice expression at workplace levels remain key avenues of influence and regulation. Nonetheless, at the level of the firm, corporate governance institutions, especially boards, determine strategic decisions, including a firm’s interpretation of its regulatory environment, its choices in regard to investment, subsidiarization, mergers and acquisitions (and responses to them), expansions and retractions, technological adoption, supply chain relations and corporate social responsibilities. Decisions in governance forums affect labour directly and indirectly (Gospel and Pendleton 2005; Marshall et al. 2008). Although trade unions in the Anglophone countries have been variously interested and highly cautious toward involvement in strategic decision making at firm level (Edwards 2004; Gold 2011; Heery and Wood 2003), the 1980s and 1990s saw a distinct effort to elevate and express interests (even as overt industrial democracy discourse had been quietened in that period) in the form of partnership relations with firms and labour.

Partnership, although variously understood and contested, generally conveys a sense of mutual legitimation, commitment to cooperative process, joint decision-making over some matters, and consultation (Appelbaum and Batt 1994; Heery 2003; Kochan et al. 2009; Patmore and Golan 2003). The partnership efforts of the 1980s and 1990s, evident in all the

Anglophone countries, pursued a “high road”, high performance approach to firm-level management and employee relations. It sought, more or less, a pragmatic mix of socio-democratic rights-based demands for greater employee participation and benefit with the business utility of the “high involvement” of skilled workers in production operations.

The pursuit of collaborative partnerships involving unions and management grew out of recognition of “mutual gains” (Kochan and Osterman 1994) afforded by greater cooperation among the parties as post-Fordist, advanced technological systems potentially fostered more collaborative team-working among workers and less rigid production systems. They essentially recognize shared arenas of interests among the parties in addition to conflicting interests that can enable productivity bargains to be reached. Increased organizational complexity and intricate outsourcing and/or supply chains diminish management’s grasp on business operations and stimulate their increased reliance on knowledgeable workers and good relationships. Ventures in partnership relationships range from modest expressions of cooperation, consultation and information sharing, to employee stock options, to provision for closer degrees of co-participation in firm level strategic decision-making (Appelbaum and Hunter 2005; Danford et al. 2005; Gold 2011; Johnstone et al. 2009).

Partnership undertakings have produced various outcomes and point to some divergent paths and prospects. Fitcher and Greer (2004) argue that in the UK, with little institutionalized traditions of cooperative labour relations, partnerships have been heavily biased toward management prerogative. Unions have been forced into partnership and collective bargaining decentralized. Others find that partnerships have produced notable value for workers and trade unions (Danford et al. 2005). Debates on the utility of partnerships continue, notwithstanding the points made above of the powerful hand dealt to employers under neoliberal political economy.

It is fair to say, however, that partnership efforts have achieved the closest large-scale arrangements that recognize labour’s socio-economic interests in substantive decision-making

including, in some instances, at board level governance in the UK. The potential of partnerships for corporate governance innovation and mutual regulation of interests in enterprise productivity and profit has been demonstrably under-developed. The partnership venture, even when supported by employers, encountered the forces of de-regulated capital markets and a turn in corporate governance toward financial measurement of value. Financialization accentuated innovative profit-taking and reasserted shareholder prioritization over governance even when greater stakeholder recognition and participation had been to some extent undertaken in partnership ventures. As Fordist-era corporate governance systems broke down, a course of recurrent crises in corporate governance and market regulation has ensued.

In that context, the case for labour's interest in corporate governance returns to prominence. Workers frequently have firm-specific investments in their jobs. Those investments give workers incentives, from an economic vantage point, to see that the enterprise is efficiently managed. Those economic interests on the part of workers in maintaining a well-managed, and socially reputable enterprise, contribute to a case for workers participation in governance and to forms of partnership with employers. Employees can hold the long-term interest of the company in view alongside their short-term interests in wage levels and conditions of employment. Furthermore, workers' interests in the firm's long-term sustainability as well as their likelihood of possessing greater knowledge of the company's operation than many shareholders, strengthen their stake-holding interest in the firm in relation to that of shareholders.

Economic demands (e.g. for wages, job protection and pensions) typically dominate the trade union bargaining agenda. Those core demands are accompanied by further contemporary socio-cultural demands including for greater quality of work, improved work-family life balance, greener production and consumption, and gender and sexual equalities and identity issues. These latter demands illustrate expression of extra-economic values within the sphere of organizational production and workplaces.

## **EU influence**

Debates on liberal firm powers and risks of corporate crises and their consequences draw much attention. In addition to concerns in governance debates over the effectiveness of corporate governance institutions in the UK, the influence of European Union (EU) corporate governance and labour institutions on UK companies and organizations warrants close attention. Key pieces of EU regulation, notably the European Works Council directive (94/45/EC), the directive on employee participation accompanying the European Company statute (SE) (2001/86/EC) and the Information and Consultation of Employees directive (2002/14/EC) have been, respectively, transposed into UK law over the last fifteen years. They affect and alter the traditional voluntarism of much UK regulation. Their effects of formally raising labour's voice are slowly emerging.

Much debate on the European Works Council directive (94/45/EC), recast in 2009, continues to appraise the usefulness and effectiveness of EWCs across EU member states as MNCs increase their cross-border operations. Lecher and colleagues' (2001, 2002) develop a typology of EWCs in which of the four types distinguished one is termed "participative" with the others (symbolic, service, and project-oriented EWCs) of lesser scope. Waddington's (2010) elaborates on "articulated" or densely inter-linked EWCs with other industrial actors. He argues that there "is little doubt that the establishment of EWCs has led to an intensification of cross-border cooperation among representatives of labour (Waddington 2010: 217). Works councils are widely recognized for their influence and utility for labour interests. EWCs enable transnational workers to gain knowledge and practical skills in regard to participating in workplace decisions. Works councils are predominantly plant level interest representation and intended to be independent of both management and trade unions. In practice, however, they bring matters of shared or intersecting importance to shared discussion. Their active personnel frequently include trade union members. Works councils are seldom expected or enabled to

have a direct influence on investment decisions or typically on large scale innovation (of product or process innovation). They can, however, feed information and preferences to board level decision making, and works councils evidently influence development of new solutions to problems facing the firm. Evidence from the UK of EWCs in operation in UK-based companies for which the EWC regulations apply indicates that British workers are frequently exposed to the operation of work councils for the first time (Marginson et al. 2004; Waddington 2010). They gain competencies for participation and experience the effects of collaborative efforts in addressing company organizational and production problems.

Two other EU institutions with a bearing on labour and trade unions in the UK are those of the Directive on employee participation accompanying the European Company (Societas Europaea or SE) statute (2001/86/EC) and the Information and Consultation of Employees directive (2002/14/EC). In the case of the first, an pertinent debate is found for instance in Cremers et al. (2013) and Villiers (2006). To date, few European Companies have been established in the UK, and the institutions for employee participation are not well known to researchers. Importantly, however, trade union leaders, as the research discussed below demonstrates, are cognizant of the provisions of European Companies (SEs), which include mandatory European Company (SE) works councils and rights to negotiate participation of employee representatives of the Company's supervisory or administrative board. Trade union leaders currently utilize that information in formulating contemporary trade union policies on employee representative participation in corporate governance. The influence of the information and consultation directive, transposed in the UK as the regulations on Information and Consultation of Employees Act in 2004, effective from 2005 is more visible. In-depth discussion is found in Hall and Purcell (2012) and Wilkinson et al. 2010. More in-depth discussion of EU institutions and influence is deferred at this point. Discussion now turns to address an empirical study aimed at gaining data on labour and trade union actors' interests in corporate governance in the UK.

## Empirical Study

I undertook a qualitative research investigation of trade union interests in corporate governance during 2013 – 2014. Data was drawn from examination of trade union websites and from conducting 28 interviews with trade union actors, such as national, regional and local leaders and officers of established trade unions or union amalgamations, and socio-economic researchers, such as industrial relations, management and political science scholars. Interviews, which I conducted in person or by telephone, inquired into workers' and trade unions' interest in highest level company decision-making and presence or absence of demand for participation in highest level decision-making or corporate governance in the UK.

Selective interview excerpts are provided to illustrate key points. In general, three motifs in a broader pattern of interest expression emerged. They were: 1. stronger awareness and interest in corporate governance among senior union officers at national level across union industry backgrounds; 2. Variation (e.g. ambivalence and caution, or pragmatism or enthusiasm) in regard to the reach and demand expression of that interest among union officers. 3. Differences between union actors interests and academic expectations of labour's interests. Trade union actors at senior level in the UK typically reported awareness of corporate governance issues and problems:

*“The influence of private equity; it involves making decisions at a further distance from board...These questions of corporate governance affect us (labour interests). It is clear that many companies are not able to govern themselves properly, and they're not taking our interests into account. That is a serious problem.”* (TUC senior officer #3)

They expressed demand for worker representation:

*“Worker representation on company boards is long overdue....”* (TUC leader #UK1)

*“The [2008 Global Financial Crisis] crisis has prompted unions to act. There is a legitimisation crisis in corporate governance. It is a turning point.”* (TUC leader #UK2)

National officers of large amalgamated unions elaborate:

*“We’ve taken the lead in corporate campaigns; we took on private equity. Private equity came in by stealth. Workers don’t know who their employers are; who owns, who’s governing the company.”* (Trade union leader #UK9)

*“Unions in the UK are becoming are very interested in corporate governance. We need to know about finances and ownership of companies. Corporate research is now right at the center of our [national union] work.”* (National union senior officer #7).

*“We want to work with companies. But if driving a profit is the only motif for a company that’s a problem, a conflict. We can help with that. Let’s have us trained and competent trade union officials on the board. Trade union representatives in governance are there as interested parties. I would say partners. Right now, so much is shrouded in secrecy. Companies move contracts stealthily from one to another. It affects us (labour). We should fully understand where these decisions come from. We should be there. We should have a seat on the board.”* (National union General Secretary #2).

In addition to those broad statement claims of trade union interests, respondents illustrated both intention to come to grips with corporate governance questions and competence in regard to corporate governance activities:

*“Before we run an organizing campaign we identify who the shareholders are, who the directors are. We investigate the firm’s corporate structure; where are its subsidiaries, does it have global framework agreements?”* (National union officer #UK3).

Accompanying the illustrations of interest and avenues to participating in or influencing substantive decision-making respondents reported a range of substantial concomitant issues. Labour actors’ interest and efforts are evident but awareness of their limited and fraught successes is equally evident. Respondents reported persistent obstructions, the two most significant being: issues of capability and capacity, and the pressures of counter-participatory forces. Counter-participatory forces include pressures on trade union leaders from

their members' expectations and demands to near-exclusively address jobs and wages issues, and macro-political economic forces and broader socio-cultural trends. In the first instance, union respondents frequently pointed to differences in knowledge and understanding between union leaders and members, and union leaders and managements. Secondly, union capacities to participate in high-level decisions are further undermined by the current socio-political positioning of labour's interests and reduced strength and the privileged position of firms and shareholders. UK respondents especially raised that perception of labour's disadvantaged status:

*“Trade unions are not seen as social partners in this country. The government doesn't respect us. If they leave us out, firms will too.”* (National union officer #UK10).

In recognition of the role and influence of corporate governance action, the Trades Union Congress (TUC) has recently produced working papers (Williamson 2013) and organizing discussion on corporate governance questions. The TUC has developed a strategic focus on aspects of corporate governance that are more visibly pertinent to labour's interests. Its leaders aim to gain trade union representation specifically on company board remuneration committees. They explicitly aim to alter the culture of short-term shareholding, and high-frequency share trading. They propose a two-year minimum period of share ownership. The TUC is interested in corporate governance from a broad basis of social interests, labour's interests and organizational sustainability, as well as financial interests. The amalgamated union, Unite, reports a “major focus on MNCs.” It demonstrates a clear strategy toward increasing trade union knowledge of corporate governance action and involvement and engagement with governance actors, including directors and government policy-makers.

Academic respondents, while recognizing many of the issues and problems of contemporary corporate governance in the UK, notably reported divergent views to those of the trade union actors illustrated above. They emphasised considerable obstacles to promotion of labour involvement or representation in corporate governance forums. They point to the

persistent culture of adversarialism in UK industrial relations, the secular weakness of trade unions, and the business world's general ignoring of labour interests. Academics, in general, reported highly skeptical views of labour's interests in governance and of trade unions' possessing necessary competences for any engagement:

*“The current model of corporate governance is flawed but it seems unions know little about it in the UK.”* (Academic expert #1).

*“Labour's not closely interested; it's too weak. And corporate and conservative governments are too powerful, too oppositional to labour”.* (Academic expert #5).

*“For most unions collective bargaining is seen as the be-all and end-all. They are aggressive bargainers, suspicious about employers. Many of them would rather die-out fighting than consider cooperation.”* (Academic #UK5).

Academics tended to favour formal intervention from the state that would recognize and protect labour's interests. Corporate firms have gained extensive powers and firm claims to voluntarily self-regulate or take responsible action in constraining their market action are doubted:

*“There's talk about CSR (corporate social responsibility). It could be useful. But it's not enough. Leaving things up to firms is a big gamble. Firms are too powerful. These questions really come back to macro-social governance. We need intelligent new forms of regulation that include workers interest representation on boards.”* (Academic #4)

*“The only route that will be effective in the UK is hard regulation of the firms. The trade unions want that, workers need that. Board level involvement is not really viable in the UK.”* Academic #12)

Overall, the findings of this study indicate a significant and increasingly politicized interest among trade union voices. Some trade union leaders expressed a cautious view, as illustrated below, at the same time as they, or other respondents, also expressed interest in the possible utilities of board level engagement:

*“You’ve got to be careful; this is a very difficult thing. We would not want to go willy nilly into saying, yes, we’re interested in being on the board. We want to be careful, keep our independence. It is important to our members that we’re seen to be independent.”* (National union office #10).

*“There’s a danger in the compromise approach. If we were on the board we couldn’t always defend the company’s decisions.”* (National union leader #UK9).

*“We want influence and impact, but our members would suspect us if we collaborated. We’d lose industrial strength.”* (National union officer #UK8)

## **Discussion**

The trade union actors’ reports in this study indicate union actors possess clear interest in and growing awareness of corporate governance and its effects on labour. It must be noted that traditional adversarial approaches to collective bargaining for wages and conditions are retained even as human resource management (HRM) has encouraged more direct and individualised avenues in employment relations. Nonetheless, this study shows that alongside adversarial approaches, leading trade unions in the UK are engaged in a serious pursuit of the possibilities of strategic collaboration with firms. Consideration of, and arguments for, the development of union capacities to undertake representation of workers’ interests as part of corporate governance at board level is evident.

Of particular salience in this data, is the difference in claims and perceptions of trade union actors and academic labour researchers. All of the union actors in this study, who held positions of seniority within national union bodies or with the federated association, the TUC, expressed strong interest in corporate governance and recognized its influence and relevance for labour. Variations among those respondents occurred on the degree to which unions should be involved with strategic decision-making as participants or as independent and interested parties. None of the union actor respondents in this study regarded corporate governance

decision-making as beyond trade unions' realm of influence, at least in regard to placing pressure on firms to take decisions with a broad spectrum of interests in view. Importantly, for some trade union actors, notably the TUC leaders, employees' representation, through their trade unions on boards of governance is both practically and politically necessary. Academic labour researchers stood out in their collective view of trade unions having neither the interest nor the requisite competencies to participate in board level debates and decision-making.

Further analysis of the differences between trade union actors' perceptions of their interests and capacities and those of academic labour researchers is certainly needed. One must take into account the possibility of trade union actors' ambitiously over-stating their aspirations and proximity to corporate actors. One must equally consider academic experts practical distance from trade union actions on the ground and in everyday organizational, and political life with corporate firms. However, I wish to bracket those necessary further analyses at this point in order to elaborate a further key point. I propose that UK trade unions' stated and evident interest in engagement with and participation in corporate governance, including at the board, is a significant contemporary development in UK trade unionism. I propose that stepping forward to claim a voice, and for some, a seat at the board table indicates a contemporary development of older ideas and efforts of industrial and organizational democracy.

This study reveals that despite labour's formal inclusion from board-level governance in the UK the political claims and social sensibilities associated with earlier expressions of industrial and organizational democracy have not disappeared. They appear most readily in demands and actions for voice expression and involvement at workplace levels of decision influence. However, in trade union leaders' efforts to grasp and demand involvement with – if not directly on the board, but through proximate influences – corporate governance expresses a fundamental principle of labour's interests and rights' claims historically associated with industrial and economic democracy movements.

The approaches toward interest expression and preference formation that incorporate organizational participation in multiple levels of decision-making provide a direct route to challenging corporate governance premised on shareholder sovereignty over the governance and profits of production. Labour's efforts toward some forms of collaboration in significant firm decision-making are fraught, under-developed, and easily managerially-constrained to workplace levels. But in claiming and striving for that level of participation, labour actors are recognizing roles and rights of workers that extend beyond those which can be satisfied through collective bargaining over wages and conditions – as immediately important as they are to workers. Trade union leaders' raising of interest and demand in respect to board level governance, even as many retain caution and independence, indicates, I propose, an immanent recognition of labour's human capital role and rights in the sustainability of the companies they work for and the distribution of company profits. A human capital-based rights-based claim presents an empirical challenge to economic theories of the firm, to conventions of shareholder sovereignty, and the current extreme privileging of financial measure of value and operation. Trade union leaders, with their "insider" insights, provide an opportunity to reformulate and elaborate a collective interest. Labour's political demands beyond adversarial bargaining, state level re-regulation, and workplace voice expression are informal and understated. Their broader recognition may assist greater development of their claims and their resources in contributing to the governance of corporate firms in the UK.

## **Conclusion**

This paper, drawing on qualitative research of interviews with trade union actors and labour researchers, finds contemporary expressions of workers' and trade unions' interest in corporate governance and participation in highest level decision-making in the UK. It finds divergence in the understandings of trade union actors and industrial relations researchers. In addition to, and beyond, workplace level information and consultation, trade unions explore a

new case for participation at board level corporate governance. Academics express a more disheartened view of weak labour and unions' necessary focus on everyday matters of wages and conditions for workers. Most especially, the global financial crisis and the crisis in corporate governance provide labour leaders with a platform to launch fresh demands for labour's participation in governance. Demanding recognition of rights to influence and even to participate from within the firm potentially raises a powerful challenge to financialised corporate governance and shareholder sovereignty. Trade union leaders, it must be stressed, are scarcely unanimous in seeking board-level worker representation in the UK. But this study has shown a high degree of shared interest in engagement with the issues and problems of corporate governance. Those efforts, which for the TUC include forging opportunities to participate in corporate governance, collectively indicate trade union demand for a concerted reformulation of corporate governance in the UK away from financialization and toward a more organizationally and socially embedded practice.

In addition to persistent interest in collective bargaining and efforts to protect and advance workers' interests in regard to their jobs, working conditions and community lives, which are trade unions most publically visible roles and accomplishments, trade union leaders now express and indicate sophisticated interest in corporate governance and its relationship to labour. Trade union leaders' demand for influencing, and participating in, corporate governance and highest level decision-making at enterprise level in the UK may pose a highly promising development not seen in the UK since the 1970s.

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