



# **ALL ABOARD**

**Making worker representation  
on company boards a reality**

All Aboard: Making worker representation on company boards a reality

by Janet Williamson, Senior Policy Officer, TUC

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## Section one

# Executive summary

This report sets out the case for worker representation on boards, how it works in practice in other European economies, and how it could be put into practice in the UK.

### **The case for worker representation on boards**

#### **Enhancing the quality of board decision-making**

Workers have an interest in the long-term success of their company; their participation would encourage boards to take a long-term approach to decision-making.

Worker board representation would bring people with a very different range of backgrounds and skills into the boardroom, which would help challenge 'groupthink'.

Workers would bring the perspective of an ordinary worker to bear on boardroom discussions and decisions; evidence from countries with worker board representation shows that this is particularly valued by other board members.

Workforce relationships are central to company success, and worker board representation would help boards to manage these key stakeholder relationships more effectively.

#### **The importance of voice**

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.

### **Representation in practice**

#### **Evidence from Europe**

Worker board representation is in place across most of Europe; the UK is one of a minority of European countries with no rights for workers' voice within corporate governance.

In 19 out of 28 EU Member States plus Norway (i.e., 19 out of 29 European countries) there is some provision for workers' representation on company boards, and in 13 of these countries the rights are extensive in that they apply across much of the private sector.

There is no one model of workers' board representation across Europe, and the way in which it operates varies from country to country.

## Introduction

Research shows that where worker board representation is in place, the contribution of worker representatives is valued by other board members.

Countries with strong workers' participation rights perform better on a whole range of factors, including R&D expenditure and employment rates, while also achieving lower rates of poverty and inequality.

### UK precedents

FirstGroup plc has had an employee director since the company's inception in 1989.

A FirstGroup spokesperson said:

“We are proud of our long history in bringing the voice of our workforce into the boardroom through our Employee Directors.

“In our experience, the perspectives and input of Employee Directors aids decision making and demonstrates the company's desire to hear from our workforce. It complements the strong and positive relationship we have with trade unions, rather than being a substitute for normal industrial relations.

“Directors and workers alike find Employee Directors invaluable in providing a closer link between the depot and the boardroom.”

There are other areas in which unions and workers are well-practiced in carrying out a representative role which has parallels with board representation, including collective bargaining, health and safety representatives, Trade Union Member Nominated Trustees, Green Workplace Representatives and European Works Council representatives.

### Proposals for implementation

The TUC believes that worker board representation could be on the statute book within a year. Our proposals for implementation include:

- Requirements for worker representation on boards should be enacted in primary legislation.
- Workers should have the right to board-level representation in all listed and private companies with 250 or more workers.
- Workers in companies of 100 or more workers should be able to trigger board representation rights through their unions or bodies established under statutory consultation procedures.
- Mandatory workers' board representation could be introduced in stages according to company size, starting with the largest companies (for example, those with 1,000 or more workers).
- Workers' representation rights should apply to a unitary or two-tier board structure.

- Worker representatives should comprise a minimum of one third of the board, with a minimum of two worker representatives per board.
- Recognised trade unions plus representative bodies established through statutory consultation machinery should be able to nominate candidates for election.
- Nomination should also be open to workers who have been nominated by a specified number of workers.
- Election should be by the entire workforce, including overseas staff.
- Worker directors would share the same legal duties with other company directors.
- A worker representative would be responsible for bringing the perspective of a worker to the boardroom, rather than for directly representing all company workers.
- All company workers (excluding company directors and senior managers) should be eligible to be nominated as a candidate for becoming a worker representative, perhaps with a minimum length of service requirement. This should include workers based overseas.
- Workers' representatives should have the right to paid time off for training.
- The TUC would organise a network for workers' board-level representatives, and would work with unions and other organisations to offer appropriate training.

### Section two

# Introduction

“If I’m prime minister ... we’re going to have not just consumers represented on company boards, but workers as well.” Theresa May, 11th July 2016

Speaking shortly before becoming Prime Minister, Theresa May made a historic commitment to put in place worker representation on company boards. In the aftermath of the Brexit vote, the Prime Minister-to-be recognised that addressing people’s disenchantment with the choices and control open to them in their day to day lives is a vital part of healing the divisions exhibited in the Referendum debate and result.

Along with family and community, the workplace, for those lucky enough to have one, is at the centre of people’s lives; indeed, some working people spend more waking hours at work than at home. People’s experiences at work affect all aspects of their lives; their income, their sense of worth, their family relationships, the extent to which they are able to participate in their community, their skills and their pension; to sum up, work and well-being are intrinsically linked.

At the same time, no organisation or company can succeed without a skilled and dedicated workforce. It is a rare annual report that does not claim ‘our people are our greatest asset’ or ‘our performance reflects the hard work, expertise, and commitment of our people’. These statements are often scorned by commentators; but the problem is not with what the statements say but that frequently they are not reflected in how companies are run. Given the contribution of workers to company success, and the proven link between staff motivation and performance, measures to boost the voice of the workforce in company decision-making look like good old-fashioned common sense and economic justice rolled into one.

Worker representation on company boards is not the only element of workers’ voice that is needed in the UK and the TUC believes rights to collective consultation and collective bargaining should also be strengthened. However, change has to start somewhere, and we believe that introducing workers’ voice at the highest level of the company would bring real business benefits and make a concrete difference to the culture and priorities of company decision-making and the lives of working people. International evidence suggests real benefits for business success too, in terms of R&D investment and other indicators.

This paper sets out the case for worker representation on company boards and our proposals for putting it into practice



## Section three

# The case for worker representation on company boards

### **Workers' voice: the missing link in UK corporate governance**

The TUC has long argued for worker representation on company boards as one element of wider corporate governance reform. The UK's current system of corporate governance puts shareholders at its heart. The interests of shareholders are prioritised in company law over the interests of other stakeholders and arguably over the interests of the company itself. At the same time, shareholders are the only stakeholder group with significant rights within the UK's corporate governance framework.

The TUC has set out a full analysis of the flaws of the UK's corporate governance system and shareholder primacy in previous publications<sup>1</sup>. To summarise, there is increasing evidence that shareholder primacy can fuel short-termism in corporate decision-making. This is particularly the case when investors hold highly dispersed shareholdings and company share registers are fragmented. The ability of investors to engage with boards to encourage long-term, sustainable organic growth in the companies whose shares they own is reduced when investors own shares in hundreds or thousands of companies and the incentive to do so is reduced when any return generated through improved decision-making will be split among the hundreds of investors on the company's share register. In addition, fund managers' performance is generally measured on timeframes that are very short in relation to those necessary for investment in innovation and R&D to generate returns, thus fuelling investor pressure on company boards to deliver short-term results. Finally, the fact that significant elements of directors' remuneration are linked directly to share price or dividends can also encourage directors to focus on strategies that will generate short-term profits, at the expense of investing in long-term, sustainable, organic growth.

As Andy Haldane has argued<sup>2</sup>: "If power resides in the hands of one set of stakeholders, and they are short-termist, then we might expect high distribution of profits to this cohort, at the expense of ploughing back these profits (as increased investment) or distributing them to workers (as increased real wages). To some extent, this matches the stylised facts on rising inequality – rising executive and shareholder compensation and faltering real wage growth."

### **Improving the quality of board decision-making**

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<sup>1</sup> See Workers on Board the case for workers' voice in corporate governance, TUC, 2013

<sup>2</sup> <http://www.bankofengland.co.uk/publications/Documents/speeches/2014/speech732.pdf>

## The case for worker representation on company boards

Worker representation on company boards can help boards to overcome these short-term pressures. As any union workplace representative knows, workers' interests are well-correlated with the long-term interests of the company, so workers' participation can help boards to prioritise the long-term success of the company in decision-making, rather than being distracted by short-term financial engineering, as occurred for example in the financial sector in the run-up to the crisis. At the same time, by ensuring that companies take better account of workers' interests in their decisions, workers' representation on boards can contribute to improvements in the quality of working life for company workers, which in turn can boost productivity. Examples are given below that illustrate the contribution that workers currently make to the quality of board decision-making where it is in place.

Workers also bring with them in-depth knowledge of how the company operates and are well-placed to contribute to a range of strategic and operational discussions that are central to board decision-making. Again, evidence on this is presented below. As well as bringing the voice of workers to bear on company decision-making, their experience of working for the company is likely to give them an understanding of the need to foster positive relationships with other stakeholders such as customers, suppliers and so on, relationships that are also critical to company success and where a short-term approach can do a lot of damage. Indeed, a Danish study<sup>3</sup> found that worker board representatives were more likely than shareholder representatives to take broader stakeholder interests – including community interests and environmental impacts – into account.

There has been growing awareness of the benefits of diversity on company boards. In the UK, much of the debate has focussed on increasing the number and proportion of women on boards, with some attention also given to boosting the participation of people from BME backgrounds. The TUC supports measures to promote gender and ethnic diversity on company boards.

The professional accountants body ACCA describes how diversity in the boardroom can lead to more effective decision-making<sup>4</sup>: 'One of the pitfalls behind the decision-making process in the boardroom is 'groupthink'...Combining contributions of a group of people with different skills, backgrounds and experiences is assumed to be able to approach problems from a greater range of perspectives, to raise challenging questions and to debate more vigorously within top management groups. Such a multiple-perspective analysis of problems can change the boardroom dynamics and is more likely to be of higher quality than decisions made under a 'groupthink' environment.' The article goes on to argue that this can enhance both creativity and oversight.

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<sup>3</sup> Caspar Rose, "Medarbejdervalgte bestrelsesmedlemmer I danske virksomheder" in Tidsskrift for Arbejdsliv, 2005

<sup>4</sup> <http://www.accaglobal.com/uk/en/student/exam-support-resources/professional-exams-study-resources/p1/technical-articles/diversifying-the-board--a-step-towards-better-governance.html>

Worker board representation would bring people with a very different range of backgrounds and skills into the boardroom and help to challenge the ‘groupthink’ referred to by ACCA. The experiences of worker representatives would enable them to bring a different perspective to board discussions, enhancing the quality of decision-making.

### **Risk and representation**

Supporters of shareholder primacy sometimes argue that shareholder interests should be prioritised by companies because shareholders bear the greatest risk in relation to companies. This argument is contradicted by the reality, in which institutional investors hold highly diversified portfolios precisely to spread their risk, whereas the vast majority of company workers will depend on one company for continued employment.

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 importance of voice**

The most fundamental argument for workers’ voice in corporate governance is very simple. Workers’ interests are affected by the priorities and decisions of company boards and it is a fundamental matter of justice that they should be represented within those discussions.

For those in full-time employment, work takes up a very significant proportion of their waking time. Yet workers in the UK have very few rights in terms of their ability to influence this critically important part of their lives. Just as citizens of a country have a democratic right to influence the way in which their country is governed through selecting a representative to participate in its governance, so workers in a company should have the democratic right to select representatives to participate in their company’s governance.

This doesn’t mean that workers would or should exercise control. Even in countries with the most extensive worker level board representation, workers are not in a position to overrule a majority position from other board members. Having a voice does not mean having a veto.

## The case for worker representation on company boards

### The evidence from Europe<sup>5</sup>

It is important to note that while worker board representation would be a largely new step for the UK, in much of the rest of Europe it is taken for granted as an established and valued part of how companies operate. It is sometimes thought in the UK that worker representation on boards is a uniquely German phenomenon, but in reality it operates in countries spanning Scandinavia, Northern Europe, Eastern Europe and Southern Europe. Notably, worker board representation is in place in many of Europe's most successful economies, including Germany, France, Sweden, Denmark, the Netherlands and Luxembourg.

In total, 19 out of 28 EU Member States plus Norway (ie, 19 out of 29 European countries) have some provision for workers' representation on company boards, and in 13 of these the provisions are extensive, applying across much of the private sector.

The prevalence of workers' representation on company boards across Europe provides an evidence base from which we can learn in considering why and how to implement worker board representation in the UK.

There are many factors behind the economic success of countries like Germany, Denmark, Austria and Sweden, and no one would argue that workers' participation is the only one. Nonetheless, the fact that countries with strong workers' participation rights perform better on a wide range of factors than those with weak workers' participation rights, is worthy of serious consideration by government, unions, companies and investors. The table below compares countries with high standards of worker participation (i.e., widespread rights and practices for board representation, workplace representation and collective bargaining) with countries with comparatively low standards. It shows that those countries with stronger participation rights score more highly across a range of important measures, including R&D expenditure, employment rates, educational participation among young people and educational achievement among older workers. What is more, these countries achieve both stronger economic success and a more equitable economic settlement: poverty and inequality rates are lower and use of low carbon energy higher than in countries with weaker participation rights.

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<sup>5</sup> This section draws on the report *Workers' Voice in corporate governance: A European Perspective*, ETUI & TUC, 2015

The European Participation Index (2008-2009 data)

<b>Europe 2020 Headline Indicator</b>	<b>Group I countries with stronger participation rights*</b>	<b>Group II Countries with weaker participation rights**</b>
Employment rate by gender, age group 20-64 (2009)	72.1	67.4
Gross domestic expenditure on R&D (GERD) (2008)	2.2	1.4
Share of renewables in gross final energy consumption (2008)	12.3	6.1
Energy intensity of the economy (2008)	171.2	181.7
Early leavers from education and training (2009)	14.0	16.1
Tertiary educational attainment by gender, age group 30-34 (2009)	36.6	31.1
Population at risk of poverty or exclusion (2008)	9.1	25.4

\*Group I countries: Austria, Denmark, Finland, France, Germany, Greece, Luxembourg, the Netherlands and Sweden

\*\*Group II countries: Belgium, Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Ireland, Italy, Lithuania, Latvia, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Estonia, UK.

Source: Sig Vitols (2010), available at <http://www.worker-participation.eu/About-WP/European-Participation-Index-EPI>

While correlations do not in themselves prove causality, the evidence shows there are important reasons to believe that workers' representation on boards does contribute to company success where it is in place and would do so if introduced in the UK.

### **How workers on boards make a difference**

A study<sup>6</sup> based on interviews with worker board representatives in 13 European companies presents a picture of worker representatives making a genuine difference to the way in which decisions are made, with their role contributing to 'the formation of a more balanced corporate strategy'. Examples of their influence include cases where the worker representatives had recognised the risks of a merger strategy and had combined with some of the shareholder representatives to defeat the proposal; the rejection of plans for a new office block on grounds of cost; and a situation where

<sup>6</sup> Michael Gold, 'Taken on Board': An evaluation of the influence of employee board-level representatives in company decision-making across Europe, *European Journal of Industrial Relations* 17(1), 2011

## The case for worker representation on company boards

a worker representative had argued against plans for outsourcing using arguments about exchange rates and other market factors that turned out to be right and convinced shareholder board representatives to reject the plans. The study shows that the influence of worker board representatives is based both on their role as a member of a key stakeholder group with in-depth knowledge of the day to day workings of their company and also on a sophisticated knowledge and understanding of the markets in which their company operates and the economic challenges it faces. It also demonstrates that workers do not operate as lone adversarial voices, but often in partnership with others on the board in raising issues of shared interest or concern.

The value of worker representatives is recognised by company representatives and other board members. A survey<sup>7</sup> of Swedish CEOs, company chairpersons and employee board representatives in 2009 found that 60 percent of 'enterprises' considered the role of employee representatives to be positive or very positive, while just 7 percent considered it to be quite negative and none considered it very negative. Over three quarters (76 percent) of CEOs described the level of trust between them and employee representatives as high or fairly high, while the corresponding figure for the employee representatives was 74 percent. In addition, 81 percent of CEOs described the co-operation between the worker representatives and the other board members as good, with just four percent describing it as bad.

These results were very similar to those of a previous survey<sup>8</sup> carried out in 1998, when 61 percent of managing directors found the impact of worker board representatives on the company positive with just nine percent finding it negative, and, 81 percent of CEOs described the co-operation between the worker representatives and the other board members as good (the same figure as in 2009).

Significantly, in both surveys only a minority of CEOs thought worker board representation led to an increased risk of information leakage (often cited by detractors as an argument against introducing worker board representation in the UK).

It is worth noting that Sweden has a unitary board system, as exists in the UK.

The Irish Think-tank for Action on Social Change (TASC) published a report<sup>9</sup> on worker board participation in Ireland in 2012, based on interviews and discussions with worker board representatives, other board members, company executives and independent experts. The report concluded that:

'Worker directors were felt to be loyal to the company, trustworthy and diligent in their duties; their contribution was viewed as positive and unique by over three-

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<sup>7</sup> Jan Wallenberg and Klas Levinson, Employee board representation in Swedish industry – What has happened between 1999 and 2009?, Arbetsmarknad & arbetsliv, 2012

<sup>8</sup> Klas Levinson, "Employee representatives on company boards in Sweden", Industrial Relations Journal 32:3, 2001 (available at [http://www.seeurope-network.org/homepages/seeurope/file\\_uploads/sweden\\_levinsonartikelirj.pdf](http://www.seeurope-network.org/homepages/seeurope/file_uploads/sweden_levinsonartikelirj.pdf))

<sup>9</sup> TASC, Good for Business? Worker Participation on Boards, July 2012

quarters of respondents; in particular, their intimate operational knowledge of the enterprise was highlighted by respondents. Almost all respondents stated that they had never heard of a breach of confidentiality or conflict of interest in relation to worker directors.’

Interviewees felt that the contribution made by worker directors in the area of industrial relations was extremely positive, primarily because they act as a two-way conduit for information in times of conflict.

In addition, over half the interviewees mentioned ‘the importance of having a contrary voice on the board in conjunction with the need to avoid groupthink and promote diversity.’ The report recommended that there should be a minimum of 25 percent worker representation on boards to ensure that the worker directors were not isolated.

To sum up, worker representatives on company boards provide a link between ordinary company workers and the boardroom which is clearly valued by other board members and through their input into discussions and decisions can help boards become more effective. The next section will examine how existing models of worker board representation work in practice and discuss some UK precedents for workers and unions carrying out a representational role.

### Section four

# Representation in practice

## Existing models of worker board representation across Europe

As noted above, the UK is one of a minority of European countries with no rights for workers' voice within corporate governance and across most of Europe workers sit on company boards.

- In 13 of the 28 EU Member States plus Norway (or 12 out of the 28 EU countries), there are significant rights for workers to be represented on company boards across much of the private sector. These countries are Austria, Croatia, Germany, Denmark, Finland, France, Hungary, Luxembourg, the Netherlands, Norway, Sweden, Slovenia and Slovakia.
- In addition, there are six countries in which workers have more limited rights to board representation, mainly in state-owned or privatised companies. These are the Czech Republic, Greece, Ireland, Poland, Portugal and Spain.
- This means that 19 out of 28 EU member States plus Norway (i.e., 19 out of 29 European countries) have some provision for workers' representation on company boards. If the analysis is narrowed to the European Union, 18 out of 28 Member States have some form of provision for worker representation on company boards.
- In the other ten countries there are no requirements for workers' representation on company boards. In addition to the UK, these are Belgium, Bulgaria, Cyprus, Estonia, Italy, Latvia, Lithuania, Malta and Romania. However, it is worth noting that in two of these countries, Bulgaria and Romania, there are other provisions for workers' voice in corporate governance.

There is no one model of workers' representation on boards across Europe, and the way in which it operates varies from country to country. These variations include: how worker representatives are nominated and elected; who is eligible to become a worker board representative; which companies are covered by requirements on workers' board participation; the proportion or number of worker representatives required per board; and the board structure (unitary or two-tier) to which workers' participation rights apply.

## Nomination and election

In nearly all countries, candidates are elected by the workforce, but there are also a few countries where the appointment is at the company AGM (for example, the Netherlands and Hungary). In a majority of countries, unions have rights to nominate candidates or are involved in nominations in some way. There are also



examples of Works Councils having nomination rights (sometimes alongside union nomination rights).

In the four Nordic countries, workers or unions need to trigger the worker participation rights; they do not apply automatically in all cases. Norway is an interesting case, as workers' participation rights apply to all companies with over 200 employees, but below this threshold the rights need to be triggered by workers or unions.

### **Who can become a worker representative?**

A majority of countries stipulate that worker representatives must be company employees. However, there are variations, and Austria restricts eligibility to Works Council members and a number of countries have no restrictions on eligibility. In Germany and Luxembourg, eligibility varies according to sector, and is restricted to trade union representatives in some sectors, while in others it is restricted to company employees. The Netherlands is a distinct case in which the representative cannot be a company employee, nor a trade union representative. The role is therefore carried out by people sympathetic to the labour movement but one step removed from it, such as academics.

### **Which companies have workers on boards?**

The scope of requirements on workers' participation varies greatly. In most countries the rights apply to both private and listed companies, but three countries restrict rights to plcs (France, Luxembourg and Slovakia). As already noted, there are six countries where workers' participation rights are restricted to state-owned or privatised enterprises.

The size of company covered by workers' participation rights varies significantly from country to country, and also in some cases within countries according to sector. In eight countries, workers' participation rights apply at state-owned enterprises regardless of company size. There are also two countries - Austria and Croatia - in which workers' participation rights apply to all plcs regardless of size. However, most countries do apply a minimum size threshold for the application of workers' participation rights, especially for their private sector companies. These vary from 25 to 50 employees in five countries (Sweden, Denmark, Slovenia, Slovakia and Norway); 50 to 500 employees in seven countries (Croatia, Finland, Hungary, the Netherlands, in Austrian private limited companies and certain sectors in Germany and Spain); and to 1,000 employees in Luxembourg. The highest threshold is found in France, which in May 2013 adopted a law extending mandatory worker representation on boards to plcs with at least 5,000 employees in France or 10,000 employees worldwide.

### **The proportion or number of worker representatives per board**

The most common provision is that worker representatives should make up one third of the board, but again there are significant variations. There are four countries where a single worker representative is required, although this is sometimes a

## Representation in practice

minimum rather than a maximum (Croatia, France in large private companies, Greece and Spain). In contrast, there are three countries where worker representatives make up half the board in some cases (Germany in companies with over 2,000 employees and in the iron and steel sectors and in Slovenia and Slovakia where allowed for in company articles). However, even in these cases, workers cannot exert a blocking or binding vote against the whole of the rest of the board; in Germany and Slovenia the Chair, who always comes from the 'shareholder side', has a casting vote in the case of a tie.

### Worker representation on unitary and two-tier boards

There are also significant variations in terms of the corporate governance systems of the different countries involved. It is important to note that workers' rights to representation on boards apply in countries that operate with a unitary board structure (like the UK), as well as in countries that operate with a two-tier or supervisory board structure. This has particular relevance in the context of the UK corporate governance debate, where hostility is often expressed towards dual or two-tier boards systems.

Five countries - Sweden, Norway, Spain, Greece and Ireland - combine a unitary board structure with established worker participation rights. There are also nine countries where the unitary and two-tier board systems operate alongside each other and companies can choose which they adopt (Croatia, Denmark, Finland, France, Hungary, Luxembourg, the Netherlands, Portugal and Slovenia). In seven of these, workers' participation rights apply regardless of whether the company has a unitary or two-tier board, but in Hungary and Slovenia workers' participation rights apply differently according to the board structure adopted by the company.

### Lessons for the UK

Importantly, in all the countries where it exists, workers' representation on boards operates alongside unions carrying out their traditional role of directly representing their members' interests through collective bargaining (although in many countries where workforce representatives must be company employees, it is very common for those employees to be union representatives or at least union members).

Overall, while worker representation on boards is very much the norm across Europe as a whole, there is considerable diversity in the way it operates and the form it takes. This is a useful counteraction to the argument that introducing worker representation on boards in the UK would somehow involve the 'imposition' of a 'foreign' system onto our own. In reality, workers' participation can operate in a huge variety of ways, and works well across a wide range of very different corporate governance systems.

In considering possible options for workers' board participation in the UK, there is much to learn from the existing systems across different countries, but it is clear that this is not something that lends itself to 'one size fits all'. There may nonetheless be elements from particular systems that could work well in the UK. It would be entirely

possible to combine elements from different existing systems with new provisions to create a workers' participation framework that was uniquely suited to the UK context.

### **UK precedents for worker board representation**

While worker representation on company boards not part of the UK's corporate governance system, it does exist in the UK. In addition, there are other areas in which unions and workers are well-practiced in carrying out a representative role which has parallels with board representation.

#### **FirstGroup plc**

FirstGroup plc is a successful FTSE 250 company that is a leading transport operator in both the UK and the US. FirstGroup has had an employee director since the company was created in 1989. Each division at FirstGroup elects their own employee director, and this group elects the employee director for the main board from their ranks. The current employee director, who has been in the role since 2012, is a union member and the company recognises unions as well as having an employee director on its board.

The company's 2016 Annual report sets out the Board's view as follows:

'The Board considers...that it is extremely beneficial for its employees to be represented on the Board in this way as it enables employee-related issues to be raised directly at the Board and provides a two-way communication between the Board and employees. The Group Employee Director is elected by the Employee Directors' forum, which comprises the Employee Directors of the Company's UK subsidiaries, and serves a maximum of three, three-year terms.'

Mick Barker, FirstGroup Employee Director, said<sup>10</sup>:

"Employee directors are a part of the furniture at FirstGroup - we've been here since the company was created, in 1989.

"I serve as a bridge from the front line to board. In board meetings I have the same voice and voting rights as other directors; I'm invited to speak on any subject and I get just as involved as anyone else.

"But I spend most of my time at ground level, not the boardroom. I help spread information to ensure people in the mess rooms and depots understand what's going on at board level and why decisions are being made – and so the board get a first-class understanding of what's going on at the frontline.

"I'm a train driver by trade and I've been a member of Aslef for forty years. FirstGroup has a good relationship with its trade unions; employee directors provide a good complement to the work of unions and their reps – but we are never a substitute."

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<sup>10</sup> quotes from Mick Barker and the company supplied in September 2016

## Representation in practice

A FirstGroup spokesperson said:

“We are proud of our long history in bringing the voice of our workforce into the boardroom through our Employee Directors.

“In our experience, the perspectives and input of Employee Directors aids decision making and demonstrates the company’s desire to hear from our workforce. It complements the strong and positive relationship we have with trade unions, rather than being a substitute for normal industrial relations.

“Directors and workers alike find Employee Directors invaluable in providing a closer link between the depot and the boardroom.”

### Collective bargaining

Clearly, collective bargaining is the bread and butter of trade unions. While the role of union negotiators involved in collective bargaining with an employer is very different from that of a board representative, there are some important parallels that can be drawn.

Union representatives involved with collective bargaining recognise that company success is a prerequisite to providing good quality jobs for their members. There are numerous examples of unions working with employers to develop strategies to foster company success. At times this can put union representatives in challenging situations facing difficult choices and decisions. For example, during the recession that followed the financial crisis, unions and employers worked together to put in place plans that preserved jobs while keeping struggling businesses afloat, agreeing changes to working arrangements such as short-hours working at companies including Jaguar Land Rover, Ford, Vauxhall and BMW among others.

Opponents of workers’ representation on boards sometimes argue that confidentiality would be an issue. In reality, there are times currently when union negotiators are put in the difficult position of being told confidential information about a company’s situation that they are required not to pass onto their members. While being unable to pass information to members is challenging for union representatives in any situation, whether on a board or in a bargaining relationship, union representatives have demonstrated time and time again that when it is necessary for their role they are able to reconcile those pressures responsibly.

### Health and safety representatives

Trade Union health and safety representatives are appointed in workplaces where a trade union is recognised. They have a number of legal functions, including inspecting the workplace, raising issues, supporting members and generally assisting with the health and safety culture within an organisation. They are also part of the joint safety committee structure.

There are over 100,000 health and safety representatives in Britain and research shows that they make workplaces much safer and healthier. Research<sup>11</sup> has shown that workplaces with union health and safety representatives and safety committees have half the serious injury rates of those workplaces without.

### **Trade Union Member Nominated Trustees**

In trust-based pension schemes, scheme members have the right to nominate one third of the trustee board that is responsible for the scheme. A significant proportion of member-nominated trustees are union members and in some cases they are directly appointed by unions. All trustees have a fiduciary or legal duty towards scheme members, regardless of whether they are employer or member nominated trustees. However, both research and anecdote suggest that employer and member nominated trustees can at times take different approaches to the issues facing pension schemes and that member-nominated trustees play a very important role in securing positive long-term outcomes for fund members.

### **Environmental or Green Workplace Representatives**

“Greenworkplaces” is a flagship project developed by the TUC and its affiliates across the public and private sectors. There are around 1,200 trade union environmental or green representatives<sup>12</sup>, working with their employers to promote green initiatives at their workplace. Projects and proposals are generally initiated by the union green representatives, and while some are one-off initiatives to tackle a specific area, others develop into joint union-management green groups working to reduce the climate impact of their workplace on an ongoing basis. Projects have delivered significant energy and cost savings, while boosting job security for the workforce at the same time. For example, the Magor Brewery in Wales saw its water usage drop by 46%, its electricity usage drop by 49% and heating bills drop 23%, saving over £2 million over a two-year period<sup>13</sup>, since the Unite union initiated a company-wide focus on saving energy.

### **Worker representatives on European Works Councils**

Companies with 1,000 or more employees, including at least 150 in two or more Member States, are required to establish European Works Councils (EWCs). EWCs are bodies representing employees of companies operating across borders in different EU Member States. Their purpose is to inform and consult employees on transnational matters.

Around ten million workers across the EU have the right to information and consultation on company decisions through their European Works Council members. There are currently 177 EWCs set-up under UK law and there will be a UK

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<sup>11</sup> [https://www.tuc.org.uk/sites/default/files/Union%20effect%202015%20%28pdf%29\\_0.pdf](https://www.tuc.org.uk/sites/default/files/Union%20effect%202015%20%28pdf%29_0.pdf)

<sup>12</sup> <https://www.tuc.org.uk/economic-issues/union-issues/workplace-issues/green-workplaces/green-unions-work-2012>

<sup>13</sup> [https://www.tuc.org.uk/sites/default/files/documents/Green\\_Workplaces\\_Network\\_Case\\_Study\\_Magor\\_Brewery.pdf](https://www.tuc.org.uk/sites/default/files/documents/Green_Workplaces_Network_Case_Study_Magor_Brewery.pdf)

## Representation in practice

presence on some other European Works Councils, so the number of UK EWC representatives is probably in the hundreds.

## Section five

# TUC proposals for implementing worker representation on company boards

As set out above, there are a wide range of models for worker board representation across Europe and important UK precedents for workers taking on a representative role within companies.

The TUC believes that while there are a number of practical issues that need to be considered, implementation need not be an overly lengthy or complex process and legislation to implement worker board representation in the UK could be on the statute book within one year.

What follows are the TUC's proposals for turning the Prime Minister's commitment to put workers on company boards into practice.

### **Mechanisms for implementation**

- Requirements for worker representation on boards should be enacted in primary legislation.

Workers' representation on boards would need to be a legal requirement. This is the case in every other country where worker board representation is in place and helps to provide clarity and certainty for all involved. If introduced as a voluntary measure it is unlikely that UK companies would take it up. However, there is a good chance that if introduced broadly companies would quickly adapt and it would become simply part of the normal way of operating, as it is in most other European countries.

It would therefore need to be introduced using legislation and given the nature of the change it would make sense in terms of procedure for this to be primary legislation. An amendment to the Corporate Governance Code would not work as this only covers listed companies.

### **Scope – which companies should be covered by requirements on board representation?**

- Workers should have the right to board-level representation in all listed and private companies with 250 or more workers.
- Workers in companies of 100 or more workers should be able to trigger board representation rights through their unions or bodies established under statutory consultation procedures.

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There is considerable variation in the scope of requirements on worker board representation in European countries that already have such provisions, but in most the requirements apply to both listed and private companies. Most countries do apply a minimum size threshold, ranging as set out above from 25 – 50 employees in five countries, to 50 to 500 in five countries and 500 to 1,000 in three countries. The highest threshold is found in France, which in 2013 extended mandatory worker board representation to companies with at least 5,000 employees in France or 10,000 worldwide.

There is a strong argument for applying requirements on board representation to both private and listed companies. There is no real economic or social justification for restricting the rights to listed companies and doing so would provide fuel for opponents to argue that this requirement would lead to companies de-listing. To exclude large private companies entirely would be to exclude an important section of the economy from the potential benefits of workers' participation and would create a significant differentiation in terms of workers' rights to voice according to company status, which would be a new and damaging departure from current law. A possibility could be to apply a higher size threshold to private companies, although this is hard to justify in economic or social terms.

For the measure to achieve the greatest benefits, it would be very important that it was applied broadly, and indeed it is clear that this is the choice made by the majority of countries that already have such systems in place. However, a staging process could be established for implementation, with the largest listed companies being first in line, followed by smaller listed/large private companies and SMEs (this is discussed in more detail below).

For a government committed to introducing worker representation on boards, the size threshold to which it should apply could be a controversial area subject to considerable negotiation and debate. There may be voices arguing for application to be restricted to a narrower section of the economy. The TUC believes that wide applicability is very important in order to achieve the transformation in corporate culture and employment relationships that the UK economy needs.

If worker board representation were mandatory in listed and private companies with a workforce of 250 or more, this would cover approximately two fifths of the total the private sector workforce and approximately half of the private sector workforce if businesses 'with no employees'<sup>14</sup> are excluded<sup>15</sup>.

In addition, there should be a right for employees in smaller companies to 'trigger' a request for workplace board representation. There is a precedent for this in Norway,

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<sup>14</sup> defined as self-employed owner-managers and companies comprising only an employee director

<sup>15</sup>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/467443/bpe\\_2\\_015\\_statistical\\_release.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/467443/bpe_2_015_statistical_release.pdf)



where workers' board representation rights apply in all companies with over 200 workers, but can also be triggered in smaller companies by workers or unions. In the UK, a process could be established whereby unions or bodies established under statutory consultation procedures could request worker board representation rights. We suggest this right should apply in companies of 100 or more workers.

### **Possible staging process**

- Mandatory workers' board representation could be introduced in stages according to company size, starting with the largest companies (for example, those with 1,000 or more workers).

The most straightforward staging process for implementation of workers' board representation rights would be to introduce it in stages according to company size, with the largest first. There are many precedents for this, including the Information and Consultation of Employees Regulations and more recently pensions auto-enrolment.

Many of the UK's largest companies will already have some experience of worker representation on works councils through European subsidiaries, which could be helpful in terms of implementation.

Another possible staging process would be to start with listed and move onto non-listed companies, but there are not really any precedents for this. However, the staging process could give more time for non-listed companies to comply.

Some commentators have suggested starting with sectors where the potential economic gains would be highest, for example manufacturing and sectors where increased R&D investment and taking a long-term approach could reap significant economic dividends. However, this could lead to long arguments about sectoral definitions which could delay and complicate implementation. And while economic impacts such as investment levels are important potential benefits of worker representation on boards, these are not the only arguments for workers' voice. There are strong social and economic arguments for increasing the influence of workers (including the need to raise workers' wages across the board and increase the proportion of profits allocated to wages) that apply to all sectors, not just those that are investment-intensive.

### **Interaction with board structure**

- Workers' representation rights should apply to a unitary or two-tier board structure.

In Europe, workers' board representation rights apply in countries with a unitary board system, as well as in those with a two-tier board system.

As set out above, five countries – Sweden, Norway, Spain, Greece and Ireland – combine a unitary board structure with established worker board representation rights. In others, including Germany and Austria, workers are represented on a supervisory board, which also includes shareholder representatives. In addition, a

## TUC proposals for implementing worker representation on company boards

number of countries allow companies to choose between a unitary or two-tier board and in these cases workers' participation rights generally apply regardless of which board structure the company chooses (Denmark, Finland, France, Hungary, Luxembourg, the Netherlands, Portugal and Slovenia).

There is nothing in company law to prevent UK companies from establishing a two-tier board structure now. The requirement for UK listed companies to include a minimum proportion of non-executive directors (NEDs) on their board and the restriction of certain roles to NEDs establishes a distinction between the roles of the executive and non-executive board members which has parallels with the two-tier board system.

The arguments for workers' voice apply regardless of board structure and there is evidence from Europe that worker representation can work effectively on both unitary and two-tier boards. Therefore the TUC believes that there is no purpose in tying the case for worker representation to a particular board model. Indeed, given the hostility of some in the UK business community to the two-tier board system, tying worker board representation to a two-tier board structure could make the goal harder to achieve.

However, an option for a two-tier model and some publicity about how this could work effectively could be part of the process of introducing workers' representation on boards.

### **The proportion or number of worker representatives required per board**

- Worker representatives should comprise a minimum of one third of the board, with a minimum of two worker representatives per board.

It would be very important for the proportion of worker directors on the board to be sufficient to make a real difference to the culture, discussions and decisions of company boards. There is a danger that minimal worker representation could undermine the effectiveness of the policy. 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. There is considerable variation on this point across Europe, but the most common requirement is that workers should comprise one third of the board.

The TUC is calling for worker representatives to comprise a minimum proportion of one third of the board. For small boards, it would be important to include a numerical minimum of two workers to avoid the lone voice phenomenon whereby it can be difficult for one person to challenge a dominant group view. On this point, it is worth noting that the report by TASC on worker representation in Ireland cited above included a recommendation that worker representatives should comprise a

minimum of 25% of the board ‘to ensure that worker directors are not isolated on boards’.<sup>16</sup>

There is currently a requirement in the Corporate Governance Code for at least half the board to be comprised of ‘independent’ non-executive directors. This would need to be addressed if worker directors comprised one third of the board, as many definitions of ‘independent’ currently used would not class worker directors as independent. One approach would be to argue for a revised definition of ‘independent’ (focussing on independence from management rather than from the company itself). However, it would probably be simpler to stipulate that the independence requirement does not include worker representatives and applies only to the executive and non-executive directors elected by shareholders. Alternatively, the proportion of independent non-executive directors could simply be reduced to take account of the additional worker board members.

### **Nomination and election procedures**

- Recognised trade unions plus representative bodies established through statutory consultation machinery should be able to nominate candidates for election.
- Nomination should also be open to workers who have been nominated by a specified number of workers.
- Election should be by the entire workforce, including overseas staff.

There is a strong argument for making it relatively easy for people to stand for election in order to ensure as inclusive a process as possible. The time commitment and nature of the task involved will lead to many people ruling themselves out of consideration and a fair and inclusive election process is the best way of screening out unsuitable candidates.

Where trade unions are recognised, it makes sense that they should be able to nominate candidates for election. This is generally the case in the countries in which worker board representation is in place. It would be logical for this right to be extended to bodies established under statutory consultation requirements. This would help to establish a direct link between mechanisms for workers’ voice at other levels of the company and workers’ representation on boards. Such nominees would still need to be elected by the workforce.

Equally, ensuring that a wide range of potential candidates are able to stand will give credibility to the process and help to create buy-in from the wider workforce. Nomination should also be open to all eligible workers who are nominated by a specified number of other workers. This should not be set too high or it could disadvantage part-time or more peripheral workers who may find it harder to gather nomination signatures.

The easiest, most cost-effective and inclusive mechanisms for election should be allowable. Electronic voting would substantially reduce the cost of elections. It should

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## TUC proposals for implementing worker representation on company boards

be allowable to combine different voting mechanisms for different groups of staff as appropriate, or alongside each other for the same staff with suitable safeguards, in order to promote inclusivity and participation.

As essential principle would be that the entire workforce would be entitled to vote and that the company must ensure that they have the opportunity to do so.

### **The role of a worker director**

- Worker directors would share the same legal duties with other company directors.
- A worker representative would be responsible for bringing the perspective of a worker to the boardroom, rather than for directly representing all company workers.

The key role of a worker director would be to bring the perspective of an ordinary company worker to bear on discussions and decisions in the boardroom. Their approach will be rooted in experiences that will generally be very different from those of the rest of the board. They will be much more in touch with the views and experiences of the rest of the workforce, and will bring be able to draw on this in their input to company strategy. They will also have in-depth knowledge of the operational side of at least some parts of the company, which the independent non-executive directors will by definition lack.

At companies that already have worker board representation – for example, at FirstGroup in the UK and also in other countries – it is clear that gaining an insight into how strategies and decisions are likely to be viewed by the company’s workforce is particularly valued by other board members.

This does not mean, however, that a worker director would be responsible for directly representing the views of the workforce as a whole on the board. While no doubt their perspective will be informed by the views of other workers, workforce views will not always be uniform, which would hinder direct representation. In addition, in order to be effective on the board, worker directors need to be able to participate fully in discussions and respond to the contributions of other board members; it will not always be clear in advance of a meeting precisely what the parameters of discussion and decisions will be. There is a parallel here with the role of parent governors on school governing committees: parent governors are elected by other parents, but are responsible for bringing a parent’s view to the governing body, not for representing the views of the entire parent body of a school.

Worker directors will never be any sort of replacement for the direct representation that workers gain through trade unions. The role of worker directors on the board will not be to negotiate directly with the rest of the board over issues that affect the workforce; that essential role must be carried out by trade unions who can directly represent their members and negotiate directly on their behalf. Nor will it be equivalent to the role of worker representatives elected through statutory information and consultation provisions, who again will be directly representing company

workers in discussions with management. The TUC is also calling for legal reform to make it easier for unions to organise in workplaces and negotiate on behalf of their members through collective bargaining and for strengthened rights to collective consultation.

Worker directors would share the same directors' duties with other directors on the board - as is the case in countries where worker board representation is already in place. This gives all board members a shared purpose and objective, to which they will bring their different experiences and views. This is a model that works well in many other contexts. For example, as noted above, member-nominated and employer-nominated trustees work alongside each other on trust-based pension schemes, sharing a fiduciary duty to act in the interests of scheme beneficiaries, but often bringing different perspectives and priorities to that shared goal.

The TUC has argued that directors' duties should be reformed to remove the priority given to the interests of shareholders, as noted in the introduction. However, we nonetheless believe that worker representatives can play a useful and constructive role on company boards under directors' duties as currently constituted. Directors' duties as set out in the Companies Act 2006 require directors "to promote the success of the company for the benefit of its members [ie, shareholders] as a whole", and in so doing to have regard to a range of considerations, including the long-term impact of decisions, the interests of the company's employees, supplier and customer relationships and community and environmental impacts. At present, directors do not always pay sufficient attention to the wider considerations to which they are required to have regard, and worker representatives would be well-placed to encourage boards to take a longer-term approach to decisions and to have due regard to the interests of company stakeholders.

### **Who would be eligible to be nominated as a candidate for becoming a worker representative?**

- All company workers (excluding company directors and senior managers) should be eligible to be nominated as a candidate for becoming a worker representative, perhaps with a minimum length of service requirement.
- This should include workers based overseas.

The TUC believes that any company worker other than company directors and senior managers should be eligible to be nominated as a candidate to become a worker board representative. This could be qualified by a minimum length of service requirement of perhaps six months to ensure that candidates have a reasonable knowledge of the company and their potential role.

### **Employment status**

Some employment rights are limited to employees rather than workers, and some may argue that eligibility for becoming a worker board representative should be restricted to company employees.

## **TUC proposals for implementing worker representation on company boards**

However, there are companies that employ a large proportion of their workforce through agencies or on zero hours or other insecure contracts, and in many cases such workers may not qualify as ‘employees’ in legal terms, despite having a genuine and long-term relationship with the company. In these circumstances limiting eligibility for candidacy to employees could exclude a significant proportion of the workforce from candidacy and mean that the worker directors were not representative of the whole workforce.

For this reason, the TUC’s preferred option would be that all workers with a minimum length of service were eligible to stand as worker representatives. This would also be the simplest formulation.

### **Worker representatives who leave the company**

Worker representation on boards would work best if those who were elected to become worker representatives generally remained with the company during their time of office; frequent changes of representative and ‘mid-term’ elections could undermine the effectiveness of worker board representation. While some turnover is inevitable, the issue could be addressed to some extent in materials explaining the role to potential candidates.

This raises the question of whether a worker representative should automatically resign if they leave employment during their term of office. Options here include:

- making it a requirement that a worker representative is a current worker (meaning that once a worker representative had left employment they would automatically resign from the board);
- allowing a worker representative to finish their term of office even if they have left employment with the company (a precedent here is parent governors who remain members of a school governing body until their term of office finishes, even if their child has left the school); and
- leaving this issue to be resolved on a company by company basis, either by the whole board of directors or by the remaining worker directors.

The last option would allow for different courses of action depending on the situation. For example, where an experienced worker director leaves employment with the company towards the end of their term of office and plans for electing their replacement elections are already in train, it might be decided to keep the current worker representative in position until their replacement is chosen. In contrast, in a situation where a worker representative, perhaps new to the role, leaves employment shortly after being elected, it might be decided to hold fresh elections straight away to replace the worker representative.

### **Overseas workers**

A key issue that would need to be resolved is geographical eligibility and the approach that should be taken by companies that employ large numbers of their

workforce abroad. This was put forward by Vince Cable as an objection to making employee representation on remuneration committees mandatory and practical proposals to resolve this issue would be an important element of implementation. It is particularly relevant in relation to the FTSE100, which includes a significant number of multinational companies that are listed in the UK but have relatively few UK staff.

There are differences in how countries with existing provision for worker board representation address this issue. In Sweden and Norway it has long been possible for workers employed by a company subsidiary based overseas to vote and stand as candidates in elections for worker board representation in certain circumstances. In Denmark, the law was amended in 2010 to allow workers in foreign subsidiaries to vote and be eligible to stand as board-level representatives (although this is dependent on agreement at the AGM). Workers in foreign subsidiaries may elect at least one representative, and where they constitute more than 10% of the entire eligible workforce they may elect two representatives. The 2013 law in France on worker board representation also includes some provisions on the inclusion of overseas workers (although this law applies only to very large companies).

In contrast, in Germany the legislation on worker board representation does not include provisions for the inclusion of workers employed in foreign subsidiaries. There is, however, broad agreement between German unions and employers that this should change, and increasing debate on how this should be done. The debate is a sensitive one, as some have used it to promote a more 'flexible' approach to worker board representation, which would effectively amount to deregulation of the current requirements. However, German unions are committed both to extending board representation rights to overseas workers and to maintaining the strengths of their system of board representation.

Addressing this issue in a way that is both fair and practical is an important challenge. Some suggestions for how to do this are set out below.

- The basic principle that all workers should be eligible to stand as worker directors should apply regardless of geographical location. However, subject to this fundamental principle, the details of practical implementation could be left to negotiation between company management and the workforce and its representatives, with a fall-back formulation that could be applied where agreement could not be reached.
- One approach would be to create a link between the proportion of the workforce employed overseas and the number of worker representatives that would be drawn from that workforce (reflecting the Danish system). There could be benefits in ensuring a geographical spread of representatives to ensure that in company with a geographically diverse workforce, worker representatives were not all drawn from one location.
- Most multinationals will have shadow boards or some sort of management committee for all the areas in which they operate. If workers from each country

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where the company employed a significant number and proportion of its workforce had the right to representation on the relevant local board or management committee, this would provide avenues for workers' representation in decision-making on a local basis and also provide a platform from which to stand for the main company board.

### **Worker representatives on divisional or subsidiary boards**

For all large companies, one way of implementing workers' representation on boards could include giving workers at subsidiary/division/plant level the right to be represented on local management board. This would extend worker representation in decision-making throughout different levels of the company and would undoubtedly contribute to the long-term corporate culture that effective workers' voice can promote.

This creates a further option – that some places on the main board could be reserved for candidates drawn from, and possibly elected by, this group. At First Group, for example, all divisions elect workers to sit on divisional boards and these representatives elect from among themselves a representative to sit on the main company board. This has the advantage that when workers are electing their local representative/s they probably know the candidates, and the main board representative has a ready-made group of colleagues who will have some experience of the representative function with whom to confer. However, there is also something positive about enabling all company workers to be able to vote for the same board candidates. One possibility would be to combine the two – that is, have some places reserved for direct election by the whole workforce, while others are elected from divisional representatives. However, this is a level of detail that would probably be best left to negotiation between managers and the workforce and its representatives, rather than set out in legislation.

### **Equipping worker directors for their role - training and networking**

- Workers' representatives should have the right to paid time off for training.
- The TUC would organise a network for workers' board-level representatives, and would work with unions and other organisations to offer appropriate training.

The TUC would establish a network for worker directors, with a newsletter, e-mail alerts and events, including training. It would be important to provide plenty of opportunities for workers' board representatives to meet together and discuss their experiences.

The TUC has experience of running a network for Member-Nominated Pension Fund Trustees (MNTs), which is one of the largest MNT network in the UK. The



TUC provides a regular newsletter, information about events, an annual conference and other events and opportunities.<sup>17</sup>

One challenge that worker board representatives would face is the confidentiality requirements of board membership and it would be important to cover this area in training. Being provided with confidential company information that they are not able to share is a challenge faced by union representatives on a regular basis in their discussions with management, especially when controversial changes such as restructuring are being proposed, so there is long-standing experience within the UK union movement that can be drawn on in addressing this issue. In addition, there is valuable experience among worker board representatives in other European countries of dealing with confidentiality. It is important to note that in both the Irish and Swedish studies referred to above confidentiality was not regarded as a problem by other board members in either case.

It is clear from both UK and European experience that worker representatives understand the importance of confidentiality and are perfectly capable of respecting appropriate confidentiality requirements. While worker directors would be subject to the same confidentiality requirements as other board members, it would be important for boards to establish workable guidelines to distinguish between confidential and non-confidential information to provide clarity to worker representatives about what could be discussed with other workers.

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<sup>17</sup> See <http://www.tuc.org.uk/economic-issues/pensions-and-retirement/member-trustees> for more information.

Section six

# Conclusion

This paper has argued that worker representation on company boards would bring business benefits while at the same time contributing to economic justice. International evidence shows that countries with strong workers' participation rights do better across a range of indicators, including R&D expenditure and employment rates, and that the contribution of worker representatives is highly valued by other board members.

The TUC's detailed proposals for implementing workers on boards in the UK are set out in this paper. The experiences of other countries provide invaluable insights, but they are not a blueprint. The UK should both draw on the experiences of other countries and create new provisions to build a framework for worker board representation that is uniquely suited to the UK.

The TUC produces regular reports on economic and social issues, providing up to date analysis and commentary on key policy debates.

You can also read TUC policy officers' comments on the issues in the report series and the ongoing economic situation at the TUC public policy blog:  
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