

Corporate governance, workers' participation and CSR: the way to a good company

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Summary

Enterprises and investors nowadays typically go beyond national borders. After a decade in which the interests of shareholders in increasing their profits were all that seemed to count, more and more transnational enterprises have come to recognise that they have to be socially responsible in the wide sense if they are not to lose legitimacy. This introductory article considers the link between tried and tested forms of interest representation and the demands for a more socially responsible corporate governance of transnational enterprises in the context of the new financial capitalism and globalisation. Currently, workers participate in decision making on the basis of existing European participation rights and they are involved in developing new kinds of agreement on social responsibility at the global level. These international framework agreements (IFAs) are increasingly forming part of the contemporary understanding of what constitutes a good company.



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À l'heure actuelle, les entreprises et les investisseurs ont l'habitude de traverser les frontières nationales. Après une décennie durant laquelle seuls les intérêts financiers des actionnaires semblaient compter, de plus en plus d'entreprises transnationales reconnaissent qu'elles doivent être socialement responsables au sens large si elles ne veulent pas perdre de leur légitimité. L'article d'introduction analyse le lien entre les formes expérimentées et testées de représentation des intérêts et les revendications en faveur d'une gouvernance d'entreprise socialement plus responsable des entreprises transnationales dans le contexte du nouveau capitalisme et de la mondialisation. Actuellement, ils prennent part à la prise de décision sur la base des droits de participation européens existants et ils sont impliqués dans le développement de nouveaux types d'accords sur la responsabilité sociale au niveau global. Les accords cadres internationaux (ACI) participent de plus en plus de la compréhension contemporaine de ce qui constitue une bonne entreprise.



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Zusammenfassung

Unternehmen und Investoren gehen heute typischerweise über nationale Grenzen hinweg. Nach einem Jahrzehnt, in dem allein das Gewinninteresse der Aktionäre zu zählen schien, erkennen dabei allerdings mehr und mehr transnationale Unternehmen, dass sie dabei im umfassenden Sinn soziale Verantwortung übernehmen müssen, wenn sie nicht ihre Legitimation verlieren wollen. Dieser einführende Beitrag will den Zusammenhang herstellen zwischen den bekannten und bewährten Mitteln zur Interessenvertretung von Arbeitnehmern und den Herausforderungen an eine sozial verantwortliche Unternehmensführung von grenzüberschreitend operierenden multinationalen Unternehmen im Kontext des neuen Finanzkapitalismus und der Globalisierung. Arbeitnehmer und ihre Gewerkschaften spielen eine herausragende Rolle dabei: sie wirken mit auf der Basis der bereits existierenden europäischen Beteiligungsrechte und sie sind dabei, neuartige Verträge über soziale Verantwortung auf globaler Ebene zu entwickeln. Dabei gehören Internationale Rahmenabkommen (IFA) immer mehr zum Verständnis einer guten Unternehmensführung.



Keywords: corporate governance, workers' participation rights, globalisation, international framework agreements, CSR, transnational companies

More than an idea: the 'good company'?

Companies should benefit society as a whole and we have to understand them as complex social institutions encompassing a wide range of stakeholder interests. Of course, profit-making must be a core aim of any company, but there are a number of other important considerations for those who hold most power in a company, nowadays most commonly seen to be the managers and, to a certain extent, the shareholders.

In July 2001, the Commission presented a Green Paper (European Commission 2001) to launch a debate on the concept of corporate social responsibility (CSR) and to identify how to build a partnership for the development of a European framework for the promotion of CSR. The Green Paper defined CSR as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' as they are increasingly aware that responsible behaviour leads to sustainable business success. CSR is also about managing change in a socially responsible manner. This happens when a company seeks to balance the trade-offs between the requirements and the needs of the various stakeholders in a way which is acceptable to them all. If companies succeed in managing change in a socially responsible manner, this will have a positive impact at the macro-economic level (European Commission 2001).

Management initiatives concerning CSR show clearly that companies understand that it is in their own interest to consider public opinion, particularly when it comes to the social and environmental dimensions. Multinational companies (MNCs) are especially vulnerable in this regard, due to the nervous reactions of the stock exchange and public and consumer opinion. In an electronically connected world, the ability to react to developments immediately and wherever one might be represents an ever present danger to companies that come to be associated with, for example, violating basic rights or some other form of misbehaviour. Consequently, there is a strong motivation to take sensitive investor relations seriously, and not only in traditional business terms (for a discussion of the 'business case' for CSR see e.g. De Schutter 2008).

Another reason for increased public awareness of company behaviour is the fact that MNCs are more and more defining the social conditions of labour. Managers, investors and workers usually have a shared interest in avoiding damage to the good reputation of the company. In order to pursue their interests European workers can use the influence on management decision making provided to them by national and European legislation,¹ including obligatory worker participation at board level, as provided by 18 out of 27 EU Member States (in six of these only for certain, publicly-owned companies) and by European legislation on the European Company (SE) (Kluge and Stollt 2006; Kluge, in this issue), as well as through European Works Councils, which now cover two-thirds of the employees of cross-border operating companies in Europe coming under the scope of the EWC Directive (Kerkhofs 2006).

Workers' interest representation has also been enhanced by a new phenomenon: international framework agreements (IFAs) complementing labour relations and workers' interest representation at global level in a large number of MNCs (see below and Schömann *et al.*, in this issue). It is not too far fetched to point to IFAs as new cornerstones of labour relations at international level.

These agreements, together with the participation guaranteed by law, are increasingly a core feature of the culture of globally operating companies. Although at first glance corporate governance seems a matter only for shareholders and managers, workers also have a legitimate claim. They are not only parties to employment contracts, but also investors in their pension funds or employee shareholders, as well as citizens interested in quality goods and services. Consequently, they are affected by corporate decisions in a number of ways. Not only shareholders, but also workers, other citizens and the community at large have an interest in good corporate governance (ETUC 2006).

1 Although an obligatory link between the social dimension as represented by workers' participation and companies at European level has not yet been fully achieved, a number of valuable tools are available at EU level: the Directive on information and consultation (2002/14/EC), the European Works Councils Directive (EWC Directive 94/45/EC), the Directive on employee participation in the Societas Europaeae (SE, the SE Directive) (2001/86/EC) and the Directive concerning the European cooperative society (SCE) (2003/72/EC).

Workers count as a third important group of stakeholders, alongside investors and managers. These three groups of stakeholders must find the optimum balance between different interests and requirements (TUAC 2005; see also Evans and Hubbard, in this issue). The right balance in terms of the triangle formed by these stakeholders makes for good corporate governance, not only, as the predominant voice in the debate has it, more shareholder control over managers. This issue has become more urgent in the face of the gross distortions caused by such aggressive institutional investors as hedge funds and private equity companies.

In view of these developments the time seems right for a *new model for the era beyond shareholder capitalism*. But formulating a new perspective requires reference beyond the ideas and instruments of ‘industrial democracy’, the model of the 1970s and 1980s. Circumstances have changed: financial markets know no boundaries and extremely demanding and enormously wealthy international investors and powerful multinational companies influence public life more than ever, including people’s working lives.

Some observers have identified the way ahead for workers to be financial ownership rather than continued insistence on the upgrading of participation rights (see the discussion by Bé, in this issue). It is also worth taking up the idea of linking financial ownership and CSR as an appropriate tool for influencing company direction. No one can ignore the increasing prevalence of company financing by hedge funds and private equity companies, rendering them playthings of financial market actors. In this perspective, all ideas on how to re-embed investment in society should be considered.

We can only have a more balanced and legitimate economic globalisation if organised labour – alongside others – plays a bigger role. The legitimisation and socialisation of companies will make for a more ‘sustainable company’ (for a more detailed discussion of what could constitute a ‘sustainable company’ see the articles by Vitols and by Jagodziński, in this issue).

Challenges for European policy

The EU objectives of a highly productive European economy and a Social Europe are laid down in the Lisbon agenda. This agenda underlines the need to pursue the economic ‘high road’ in Europe, combining high social and environmental standards with high productivity and a sophisticated way of creating goods and services. The ‘high road’ requires a highly skilled and committed workforce and so a broader notion of social responsibility on the part of companies and investors.

Against this background, all efforts to develop a sound *European corporate governance framework* should provide the right institutional conditions for companies to foster long-term profitability and employment prospects, mechanisms to prevent mismanagement, and transparency and accountability with regard to investments

and their returns. What is required is a framework in which stakeholders other than shareholders are able to organise and determine their interests in the company. Workers and their trade unions can play a central role in developing this new framework for corporate governance. Obligatory employee involvement will be an indispensable element of such a framework, particularly at European level. IFAs are another new means to spread social and labour standards globally, that is, beyond European borders. Such agreements could evolve to cover a broader range of issues, including workers' rights within the decision-making processes of multinational companies.

The way ahead for corporate governance: solely a matter of better control and transparency for investors?

In the wake of such scandals as those at Worldcom and Enron, the emphasis now seems to be on assessing how measures taken in the USA could be adjusted to the European situation. The European Commission is implementing its Action Plan on Modernising Company Law and Enhancing Corporate Governance – adopted in March 2003 and prepared by a High Level Group of Company Law Experts – quite inflexibly.²

The fundamental economic freedoms of the EC Treaty (free cross-border movement of goods, persons, services and capital) appear to have gained the upper hand over 'Social Europe' in current EU policies. The predominant model of a 'shareholder democracy', and shareholder model of 'one share one vote' or 'proportionality',³ fails to take into account reasonable doubts about the possibility and usefulness of applying this model in many parts of the EU (Khachatryan 2006). (For a discussion of the shareholder value model and of trade union responses to financialisation of the economy see Evans and Habbard, in this issue.)

Among the main issues on the political agenda a notable bias can be observed in favour of the concerns of international and institutional investors (Kluge 2007):

- Establishment of national codes of corporate governance, particularly the application of the 'comply or explain' principle in EU Member States.
- The role of shareholders, focusing primarily on shareholder rights. This led to the recommendation of the European Corporate Governance Forum⁴ in favour of strengthening shareholder rights by a European directive because the Forum

2 See http://ec.europa.eu/internal_market/company/modern/index_en.htm.

3 This was the basic position of EU Commissioner McCreevy, which in the meantime he has partly revised; see particularly his speech (07/592) before the European Parliament's Legal Affairs Committee on 3 October 2007; http://ec.europa.eu/commission_barroso/mccreevy/allspeeches_en.htm

4 The European Corporate Governance Forum is a high level expert body consisting of 15 experts and acts as an advisory group for the European Commission providing expertise for the implementation of its Action Plan on Modernising Company Law and Enhancing Corporate Governance in the European Union of May 2003; for further details see: http://ec.europa.eu/internal_market/company/ecgforum/index_en.htm

believes that the efficient exercise of voting rights by shareholders is of essential importance to the furtherance of good corporate governance (24 July 2006).

- Corporate control, particularly concerning disclosure obligations, the independence of non-executive board directors and directors' remuneration; see the recommendation of the Commission of 15 February 2005.⁵

The treatment of the latter topic in particular showed the protagonists' ignorance of existing corporate structures in many EU Member States which developed without any reference to the 'Anglo-Saxon' model which today dominates modes of corporate financing and company management. In accordance with this model, it is difficult to view workers' representatives present in boardrooms (as provided by national and European law) as independent because of their work contract with the company. Their position does not fit into the mainstream of current thinking on corporate governance because workers' representatives are neither part of the management nor are they owners of a company (see above and Heuschmid, in this issue).

Policy-makers, even at EU level – for example, see the European Commission's Action Plan on Modernising Company Law and Enhancing Corporate Governance (European Commission 2003) – would seem to be orientated solely towards adjusting regulatory systems to the – supposed – needs of international investors, which implies mostly deregulation of social rights.

One of the few members of these high level Commission bodies with a trade union background raised the issue of broadening the perspective of corporate governance to take into account a wider range of stakeholder interests.⁶ According to the minutes of the fifth meeting of the European Corporate Governance Forum on 1 June 2006, the person in question was bombarded with a number of comments unfavourable to employee interests; for example, the inclusion of employee interests in the corporate governance debate could be used by managers as an excuse to follow their own line, against shareholder interests. Others could only see a tenuous link with the need to show corporate social responsibility. None of the reactions took into account the fact that in many EU Member States managers and shareholders simply have to accept the presence of workers' representatives.⁷ (See the articles by Knudsen and by Hojnik, in this issue, on the discussions on corporate governance reforms related to board-level representation in Denmark and in Slovenia, respectively.)

5 http://eur-lex.europa.eu/LexUriServ/site/en/oj/2005/l_052/l_05220050225en00510063.pdf, see particularly point 1b, annex II, of the recommendation.

6 Raised at the fifth meeting of the European Corporate Governance Forum on 1 June 2006; see http://ec.europa.eu/internal_market/company/docs/ecgforum/minutes_01_06_2006_en.pdf

7 The most remarkable exceptions are countries such as the UK, Belgium, Italy and the Baltic States.

Workers' participation at board level: renewing an experienced institution suitable for domesticating the new financial capitalism?

Workers' participation in companies' administrative and supervisory boards is well established in a number of EU Member States, and in 12 of them (plus Norway) it is present in all business sectors. The European Company (SE) may represent a good opportunity to implement an appropriate regime for governing cross-border companies, balancing good economic performance with social cohesion (see below and Kluge, in this issue). What we have today is a patchwork of provisions resulting from the failure of a more general approach initiated in the 1970s with the aim of establishing a harmonised legal framework for workers' co-determination in the two-tier structured control bodies of companies with more than 500 employees throughout Europe (Weiss 2002).⁸

Although this ambitious attempt failed, the underlying idea behind it remains attractive even today: Workers' board-level representation constitutes a distinct approach to company management because the obligatory presence of employee representatives in the boardroom requires the consideration and explanation of social consequences from the outset. In order for it to play an effective role in corporate governance, workers' board-level participation should form an essential part of a company's governance allowing for a more partnership-oriented corporate culture and different approaches to the hierarchical and more top-down decision making as is rather common in the Anglo-Saxon understanding of management.

Although an 'assault on employee participation in the company itself looks more or less inevitable' (van het Kaar 2005: 188), advocates of systems of corporate governance that embrace board-level representation highlight its fostering of long-term profitability and employment, transparency and accountability, and its function as a mechanism to prevent mismanagement. Analyses of a strong, organised voice for labour in companies have not found serious evidence of a disadvantageous impact on economic performance (ETUC/ETUI-REHS 2006: 95). Indeed, national economic performance figures illustrate the opposite: those countries in which strong systems are part of the national corporate structure, on average, perform better economically than those without such provisions.

Against this background, the search for an appropriate European corporate governance regime would be ill-advised to start with a proposal to eliminate statutory board-level workers' representation as out of place in the modern age. Experience with attempts to intensify external control by means of formalistic and bureaucratic measures required by stock exchanges, such as the Sarbanes-Oxley legislation in the USA, demonstrates rather the opposite (Osterloh and Weibel 2006). But what kind of regime offers sustainable prospects for company development, combined with

⁸ It is worth noting that, at this time, UK and Ireland were not yet members of the EU.

high quality and stable workplaces, while avoiding excessive executive pay (Chahed and Müller, in this issue), but also providing a good return on investments? Of course, such a regime would require a better system of external control but, at the same time, effective internal control of ownership (Osterloh and Frey 2006; see Auberger, in this issue, for a discussion of worker directors in France). Workers' participation could play an important and appropriate role in such a model of corporate governance, which would also encompass interests beyond those of the shareholders to the benefit of society as a whole.

Together these represent good starting points for supporting the *development of a home-grown European model of corporate governance* that pursues a healthy balance of economic and social goals. According to the ETUC's Strategy and Action Plan adopted at its Seville Congress in May 2007, the ETUC wants a new debate on creating a fundamental right of workers' participation in Europe.⁹ The damaging consequences of aggressive investor behaviour on companies and their workers have given rise to reflections on how to organise the voice of workers, enabling them to influence business decisions to prevent negative effects. In this regard, the right of inquiry permitted to unions and shareholders in the Netherlands is an interesting corporate governance arrangement (van het Kaar, in this issue). Trade unions have a strong interest in contributing to sustainable and long-term-orientated companies that are globally competitive and provide quality workplaces. (See the article by Feuchte, in this issue, which discusses how works councils and employee representatives on supervisory boards are receiving training to enhance their involvement in CSR in Germany.)

Common respect for global responsibility agreed by employers and workers in the European Company (SE)

Since October 2004 the European legislation on the European Company (SE) has been in place, providing companies with the option to operate as a European legal entity. As of January 2008, more than 100 cross-border companies have chosen this provision, among them such well-known global players as Allianz (insurance), STRABAG (building) and BASF (chemicals) (see list compiled by Kelemen at www-worker-participation.eu). Before registering an SE, the law requires an agreement between management and workers on employee involvement, including information, consultation and board-level participation. The parties can negotiate freely on the shape of social dialogue at transnational level. Consequently, in these agreements on workers' participation in the SE rules and obligations can be laid down concerning respect of corporate social responsibility and the role of employee representatives.

The agreement of Allianz SE, established in September 2006, contains in its preamble declarations on the company's fundamental principles: promoting equal opportunities

⁹ See point 3.29 of the programme, <http://sevilla.etuc.org/-Action-Plan>: 'The ETUC wants to see a debate on setting up a fundamental right to influence business decisions which concern workers combining representative, direct and trade union based representation.'

at all levels, active work and health protection in the workplace, recognising sustainability and environmental protection as essential foundations of business conduct and observing and implementing the ILO's Fundamental Rights and Principles at Work, as well as the principles of the Global Compact and the OECD Guidelines for Multinational Enterprises. Furthermore, the agreement entitles the SE works council to initiate discussions regarding cross-border matters, including fundamental issues laid down in the preamble.

A similar explicit commitment to social objectives can be found in the agreement of BASF SE, established in January 2008 (see Kluge, in this issue). First, the preamble explains the importance of the SE in strengthening the company's international orientation. In this connection it goes on to refer to BASF SE's compliance with the Company Principles, which include declarations on CSR principles worldwide and endorsement of the UN Global Compact. By means of the agreement company management and employee representatives claim to be showing 'their responsibility for a Europe with a social design'.

The SE can therefore be considered a good example of how to combine economic competitiveness with a social orientation.

CSR: from unilateral PR instruments to contractual agreements on social, environmental and ethical/governance standards at multinational level

Since 2000 CSR has been an EU priority, regarded as a major contribution to the strategic goals of the Lisbon Summit of March 2000 and the European Strategy for Sustainable Development, as well as to promoting core labour standards and improving social and environmental governance in the context of globalisation. Furthermore, the CSR debate has formed part of developments in European governance contributing to 'opening up the policy-making process to get more people and organisations involved in shaping and delivering EU policy to promote greater openness, accountability and responsibility for all those involved' (European Commission 2001).

Analysis of the Commission's communications on CSR of 2002 and of 2006 (European Commission 2002, 2006), however, has shown that the ambition to draw up a European framework for CSR along the lines described in the 2001 Green Paper has now been reduced to the much more limited project of ensuring a business contribution to sustainable development, thus explicitly excluding stakeholders (social partners and NGOs). Clearly, the European Union has missed an opportunity to make a significant and fundamental contribution to CSR by establishing and maintaining a well-balanced legislative framework based on partnership by favouring only the unilateral initiatives of industry (Schömann 2008).

However, an interesting point here – and one which has drawn a good deal of comment – is the gap between the discourse of the European institutions and European employers on CSR and the practices both of managements of MNCs in the forefront of CSR and of stakeholders on the ground – particularly employee representatives, such as works councils (European), national, European and international trade unions and non-governmental organisations – jointly to promote SEs. In the case of the SE, not only is there a partnership between multinationals and their stakeholders, but this is one of the conditions of the success of the SE, in Europe and beyond EU borders. One of the priorities of trade unions and employee representatives in respect of CSR is to improve the quality of industrial relations at national and European level, especially by ensuring increased workers' participation through information and consultation, promoting the creation and operation of European works councils and similar structures at global level. At the same level, companies, beyond multinationals' respect for the law and collective agreements, must undertake to promote respect for workers' fundamental rights, especially as regards quality of work, health and safety regulations, and constructive consultation with the social partners, particularly concerning restructuring.

Interestingly, the erosion of workers' rights characteristic of CSR initiatives in Europe, and which led in the mid-1990s to mistrust among trade unions towards CSR activities, seems to be shifting gradually to more acceptable, negotiated practices involving workers and their representatives (for example, the increasing number of CSR agreements co-signed by EWCs; ETUC and ETUI-REHS 2008).

In the case of unilateral instruments – such as codes of conduct and ethical charters – research studies and managements acknowledge that these instruments lack legitimacy and are weak in terms of implementation, transparency and monitoring (see the discussion of the Austrian experience by Angerler and Liegl, in this issue). Recent developments show that, although unilateral instruments are still in common use, there is a rising tendency to consult and/or negotiate with workers' representatives or to negotiate transnational framework agreements on CSR issues with trade unions, in some cases with EWCs, thus increasing legitimacy (Schömann *et al.* 2008). This trend is partly due to the appropriation of CSR by workers and their representatives, including trade unions, in Europe. In addition, the insertion of CSR clauses in commercial contracts and the introduction of CSR goals at annual target interviews are also evidence of a tendency towards increasing contractual commitments on social, environmental and ethical/governance standards at multinational level, albeit taking place in a legal vacuum at European level (Daugareilh, in this issue).

It is clear that some of the procedures used in the above-described CSR strategies are characteristic of the European (social) model of workers' participation in transnational enterprises. Although rapidly increasing, such procedures are still rare, however; in most multinationals, CSR strategies are developed mainly to improve the company's (poor) image and legitimacy. Furthermore, lack of transparency in the monitoring of CSR provisions remains of great concern to stakeholders and is likely to require external intervention. On the other hand, the development of negotiated instruments with

trade unions as part of firms' CSR strategies may represent an opportunity for workers to participate in and influence globalisation processes, including social dumping, by exporting good labour standards and proven industrial relations systems within and outside Europe.

International framework agreements: a promising path to global agreements on social and labour standards

One such negotiated instrument is the international and transnational (also called European) framework agreement, which has to be seen in terms of the recent development of transnational framework agreements in the EU (Ales *et al.* 2006; Pichot 2006), as well as the parallel increase of international framework agreements worldwide (Liv and Stein 2003; Bourque 2005).

An international or transnational framework agreement is an agreement between the management of a multinational company and the relevant global union federation and/or European industry federation which commits the company to minimum labour standards in its operations around the world. In most cases, such agreements are based on negotiations and bargaining. First concluded in multinationals based in Europe (France, Germany and the Nordic countries – indeed, 80% of such companies are still headquartered in Europe), multinationals in many other countries such as the USA now have such agreements. In the majority of cases, global union federations are the main drivers although some IFAs are sometimes co-signed by national unions (see Schömann *et al.*, in this issue who also discuss the involvement of EWCs in the early stages of negotiation of some agreements). In doing so, national trade unions intend to give agreements the same weight as national collective agreements, at least in the country in which the company headquarters are located. Furthermore the involvement of the EWCs is also discussed in relation to their (lack of) legal competence in trade union issues. Such collaboration among workers' representatives nurtures and formalises a corporate environment and culture that supports the active involvement of employees and dialogue-based social relations, and even more importantly the participation of global union federations and/or European industry federations that play an active role in the process of negotiating and implementing the agreement. Furthermore, well-functioning social dialogue and respect for fundamental social rights in a multinational's CSR strategy are developing as benchmarks, influencing shareholders and investors (see the case of Securitas in Schömann *et al.* 2008).

In this process workers and their representatives are able to strike a significant blow against social dumping. The still small but steadily growing number of international and transnational framework agreements indicates a determination on the part of both management and labour to build on good industrial relations and social dialogue within a given sector and/or multinational to improve corporate socially responsible accountability and competitiveness on international markets, thus addressing (or challenging)

the limits of (domestic) labour legislation. Through IFAs they propose ad hoc solutions to tackle the social consequences of globalisation, and to ensure adherence to core labour and social standards (see Schömann *et al.*, in this issue).

The scope for further agreements remains, for the moment, rather limited, given that, on the one hand, global unions acknowledge the need for an evaluation of the process in respect of impact assessment and indicators of good practice, while on the other hand managements rarely initiate negotiations on international framework agreements.

International framework agreements enable trade unions to monitor corporate behaviour on an agreed basis and to respond to violations of workers' rights by entering into direct consultation and negotiations with the management. Thus international framework agreements seem to have an increasing function as early warning systems and are starting to operate as alternative dispute resolution mechanisms by creating the means for mediation and consultation. In the absence of a clear legal framework for IFAs (on this and the limits of self-regulation see Schömann *et al.*, in this issue), a last resort as regards the violation of international framework agreements would be for unions to campaign publicly against multinationals.

Outlook: bringing together workers' participation and CSR, and further development of a comprehensive and more stakeholder-orientated approach to corporate governance

We have to face the fact that, today, state policies are embedded in markets and no longer, as in the 'golden age' of industrial and corporate capitalism, the other way around (Streeck 2007). Consequently, the door is open for experiments and new developments. Entrepreneurs and companies do not operate outside society. Solely voluntary arrangements are not necessarily sustainable indefinitely. Because of the cross-border nature of contemporary business, regulation including mandatory social standards cannot be limited to national level.

This is the background against which trade unions are insisting on maintaining current institutional arrangements for influencing management decisions. Such institutional arrangements include European-level regulation including directives. The unions are also demanding a legal framework to overcome the mostly unilateral and voluntary character of CSR measures and to subject them to agreements between company and employee representatives, including the trade unions.

This is also the background against which we approached specialists and practitioners in the field of corporate governance to contribute to this issue of *Transfer*. The issue explores the various options for 'a European model of corporate governance' as well as

reporting on corporate governance initiatives of interest to employees and their representatives. We hope that our readers will find the various articles published in the different sections of *Transfer* as stimulating and thought provoking as we did.

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