

GMVV Think Tank Working Paper:

Strategies for Implementing Developments in Corporate Governance and Social Responsibility into EU-wide Collective Bargaining Agreements

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1.1 Background

In recent decades, corporate organization in Europe has changed significantly in response to technological innovation and regulatory developments. The resulting changes in labor relations, economic and trade relations and wage equity require the introduction of collective cross-border bargaining agreements.

This research project proposes to investigate how the development of social partnerships between individual EU member states shape collective bargaining agreements and how these findings might be used to create a European system of collective bargaining.

The introduction of corporate governance and corporate social responsibility (CSR) systems has led to the involvement of a greater number of stakeholders in corporate decision-making, including workers' representatives. Consequently, this study will also examine whether CSR systems have had a positive impact on the formation and conclusion of

collective cross-border agreements by reducing conflict between the contracting parties. Finally, this research project examines whether convergences between developments in corporate governance and CSR in the EU and their corresponding legal frameworks can serve as a model for a European-wide collective bargaining system.

While the Treaty on the Functioning of the European Union and the Charter of Fundamental Rights of the European Union currently recognize the idea of social partnership in industrial relations, they do not address the lack of a legal framework for cross-border collective bargaining agreements. The successful establishment of numerous EU-wide regulations involving corporate governance, CSR and financial stability suggest that similar regulations could be established for collective bargaining agreements to protect workers' interests. The fact that cultural differences do not constitute an unbridgeable divide has already been demonstrated by the establishment of good social corporate governance and board structures in corporate law within the EU. This suggests a legal framework for European-wide collective bargaining agreements can be found.

The research project presented here seeks to make a decisive contribution to the development of a European-wide collective bargaining structure. While technological changes have led to increasing standardization, changes in the organization of business have caused significant problems and resulted in precarious developments in the working world. The increasing decentralization of operations by many multinational corporations blur traditional organizational boundaries and convert organizations into networks.¹ In industrial sociology, this process is known as dissolution. In contrast to Fordism, in post-industrial societies, clear boundaries between work and life and occupational boundaries are increasingly disappearing. In the foreseeable future, this loss of boundaries will have serious consequences for how the workplace contributes to social integration. This strengthens the case for the creation of cross-border bargaining agreements across entire industries or comprehensive, universally valid collective bargaining agreements.

¹ H Minssen, *Arbeit in der modernen Gesellschaft, Studentexte zur Soziologie: Entgrenzungen* (Springer 2019) 79.

1.2 Research Objectives

This research project will compare different tariff strategies within the EU, as well as forms of employee participation and the influence of corporate governance and CSR on collective bargaining agreements. In addition, it will examine relevant changes in the work world and in business organizations, including dissolution and technological change, that are relevant for the design of future European collective agreements. The aim is to develop strategies for the content of cross-border collective agreements by taking the diverse legal and cultural frameworks among individual EU states into account.

1.3 Methodology

The lessons learned from this comparative analysis will form the basis for identifying a strategy for developing European-wide collective bargaining agreements, consistent with the Treaty on the Functioning of the European Union and the Charter of Fundamental Rights of the European Union. In addition to comparative studies, qualitative and empirical approaches will also be included. Due to the complexity of the topic, the project team will consist of scientists from the fields of national and international law, macro and microeconomics, sociology and philosophy.

2. Introduction

Within the European Union, there is still a significant regulatory gap between socio-political issues and economic policy. Social policy is regulated according to the principle of subsidiarity and hence by the Member States. By contrast, much economic and financial

policy has been primary legislation adopted by the Union in order to achieve economic objectives, including in the areas of company law and financial stability.

In the European Union, since the creation of the *Community Charter of the Fundamental Social Rights of Workers*² in 1989, social issues have been considered of equal importance with economic ones, at least in declaratory terms. The second recital in the preamble to the Charter states that combating unemployment and promoting employment are the primary economic and social objectives within the European common market.³ Equal pay for men and women was enshrined in the *Treaty of Amsterdam*⁴, now Article 157 TFEU. The *Treaty of Nice* further defined the respective competencies of the European Union and Member States regarding social issues, without requiring actions by the Member States, now Article 151 TFEU. In the *Treaty of Lisbon*, Article 152 TFEU describes the role of social partners at European level; in terms of collective labor law, however, social policy remains subject to the principle of subsidiarity.

Although Article 151 TFEU assumes that social security systems within the EU converge, social policy remains in the hands of the Member States. For this reason, the role of the social partners within the EU, represented by the European Trade Union Confederation (ETUC), the Union of Industrial and Employers' Confederations of Europe (UNICE) and the European Central Confederation of Public Economy (CEEP), is anchored in the Treaties under Article 154 TFEU. However, European Union social policy is only supportive of the policies of the Member States under Article 153 TFEU. To date, the creation of a comprehensive labor law that would regulate workers' rights to organize and strike, as well as the use of lock-outs and the creation of a EU-wide minimum wage, based on Article 153 TFEU, has been explicitly excluded. The EU sees the establishment of the European Social Fund, which provides economic support for promoting employment in the Member States, as sufficient for

² Commission, 'Community Charter of Fundamental Social Rights of Workers' COM (1989) 248 final.

³ R Streinz, *Europarecht* (10. Aufl., C. F. Müller 2016) 470 f.

⁴ Treaty of Amsterdam amending the Treaty on European Union, the Treaties establishing the European Communities and Certain Related Acts [1997] OJ C 340.

promoting a convergence of social policy within the common market.⁵ By contrast, the European Union has taken decisive collective action on economic issues, for example, to safeguard the economic and financial stability of the single market during and after the 2008/2009 global financial crisis.

In the past, the EU has given priority to primary laws implementing directives and regulations on the economic stability of the European single market. In particular, as a result of lessons learned from the global financial crisis, the European Union rapidly adopted a large number of primary laws establishing macroprudential supervisory structures, above all, capital requirements and mechanisms to mitigate systemic risk in EU financial system and within the EU common market. The global financial crisis led to unprecedented destruction of value and the loss of hundreds of thousands of jobs within the European Union because of the interdependence of financial markets. To date, hundreds of billions of euros in subsidies have been spent to save the financial system. Subsequently, the EU passed primary laws to establish a paternalistic system of financial market regulation to ensure financial stability. Since the 1990s, the Commission repeatedly stressed that social and economic issues are of equal importance within the EU common market, although no legal framework exists that would allow for collective labor law or legally binding cross-border collective bargaining agreements. As a result, the EU accepts wage competition among economic locations across Member States.

The creation of transnational, European-wide collective agreements could significantly protect workers' interests and ensure equal pay across the European Union. In the future, environmental protections and technological advances could be incorporated into such collective agreements. Technological advances, including the use of artificial intelligence and machine learning to automate jobs in the production and service sectors, present new challenges to social partnership and collective bargaining. Technology can store and reproduce the expertise of thousands of employees within seconds. Even though the

⁵ Streinz, *Europarecht* (Fn. 3) 472.

consequences of digitization and automation are controversial (discussion of so-called Industry 4.0), it is indisputable that the increased automation increases a company's capital ratio, leading to a drop in wage share and increasing wage competition within the European Union.⁶

Another consequence of the digitalization is the flexibility introduced by technology and the decentralization of work processes in many companies which has become commonplace for many workers. Digitization and communication technology are pervasive in work processes today and threaten to dissolve traditional corporate organization. The prevalence of desk sharing and the clean desk principle in large companies increasingly blurs the boundaries for workers between private and work space.⁷ This disappearance of classic occupational boundaries coincides with a fragmentation of the employment relationship, which threatens workers' rights. Increasingly, working for a company involves "working in the Cloud" in the private living environment. Against this background, the Treaty on the Functioning of the European Union and the Charter of Fundamental Rights of the European Union are inadequate for regulating the employment and economic conditions of workers because a concrete legal framework for binding European-wide collective wage agreements is lacking. This research project seeks to develop a European collective bargaining structure that accounts for the increasing digitalization and cross-border character of business organizations.

In contrast to the comprehensive approach to safeguarding capital interests and financial stability, protection of social interest in the EU has been neglected until recently. After the bankruptcies of Enron, WorldCom, Parmalat and Phillip Holzmann AG in the early 2000s, the EU corporate governance framework was created along with a EU-wide legal framework to create better corporate governance and greater transparency in corporate structures. In

⁶ M Lübker, T Schulten, 'Europäischer Tarifbericht des WSI – 2017/2018: Lohnentwicklung und Ungleichheitsdynamiken' (2018) WSI Report Nr. 42, 1–18, 2.

⁷ Minssen (Fn. 1) 79 f.

Anglo-Saxon corporate governance models, employees do not play a role in management, despite the fact that tens of thousands of employees had lost their jobs as a result of corporate collapses. There are two very different models of corporate governance resulting from different legal traditions and models of capitalism. The US and UK neo-liberal models of corporate governance focus on preserving shareholder value, whereas the German system and that of other European countries is influenced by a cooperative model of capitalism emphasizing social partnership.⁸ As a result, the German corporate governance system has a stakeholder orientation through which employees influence corporate strategy through joint participation on supervisory boards and the right of co-determination.

3. The Debate on a European Collective Bargaining Law (1990-present)

Since the 1990s, it has become increasingly difficult to safeguard workers' interests within the EU because the development of the European single market and the steady increase in cross-border business has not been accompanied by the introduction of collective cross-border bargaining agreements. A debate developed about the shape of future cross-border tariff policy in the European single market. Günter Köpke, former head of the European Trade Union Institute, argued for the need for a European-wide labor policy, based on the steady increase in corporate mergers.⁹ Collective bargaining would eliminate the resulting discrepancies through an alignment of labor and economic relations, improving the social system in Europe. Despite considerable opposition from management, European unions demanded Europe-wide fundamental social rights, minimum rights for workers, the protection of nationally applicable collective agreements, co-determination arrangements, and the creation of new European workers' rights.

⁸ S Sick, *Corporate Governance in Deutschland und Großbritannien: Ein Kodex- und Systemvergleich* (1. Aufl., Nomos 2008) 21 ff.

⁹ G Köpke, 'Tarifpolitische Perspektiven im europäischen Binnenmarkt: Hemmnisse und Chancen' (1990) 41(12) *Gewerkschaftliche Monatshefte* 757, 758 ff.

The obstacles to the creation of cross-border collective agreements remain the same: unequal tariff systems, differing labor contract lengths, and diverse legal environments in Member States. At the time, Köpke pointed out that these obstacles could be overcome through the transnational exchange of information among EU trade unions, the establishment of EU-wide targets using the European Trade Union Confederation (ETUC) and the implementation of European collective agreements. For this to be successful, the European Union committee on Trade Unions would have to establish collective bargaining committees to coordinate wage policy and strengthen social dialogue between ETUC and the Union of Industrial and Employers' Confederation of Europe (now Business Europe).

In 1995, Dr. Berndt Keller, Emeritus Professor of Labor Policy at the University of Konstanz, provided an analysis of European debate in which he vigorously criticized the lack of a binding legal, institutional and political framework for European collective bargaining policy.¹⁰ Building on Köpke's critique, Keller pointed to the limited statutory and contractual regulation within the Union (e.g. minimum conditions of employment) and to differences between Member States that would need to be reconciled to establish a common legislative authority for setting labor law standards. Keller also pointed out the lack of coordination and alignment of interests between national unions and the European umbrella organization, which remains a significant problem for the creation of a European tariff system. Keller concludes that strong and representative European-level associations, which would be authorized to conclude such European collective bargaining agreements, are imperative for their enforcement.

In the mid-1990s, European collective bargaining was seen by some as necessary to avoid competition between high- and low-wage countries and to align labor policies of Member States. These policies included equal pay for men and women, the regulation of working hours and the protection of workers from the negative effects of flexibilization and

¹⁰ B Keller, 'Perspektiven europäischer Kollektivverhandlungen – vor und nach Maastricht' (1995) 24(4) Zeitschrift für Soziologie 243, 257 ff.

deregulation. To date, however, the conditions necessary for European-wide collective bargaining have not been incorporated into EU treaties. While the *Social Charter* in the *Maastricht Treaty* included freedom of association and collective bargaining as means of social dialogue, more far-reaching regulations to ensure the validity of European labor contracts, such as cross-border strikes or lock outs, have not been promulgated.¹¹

Beginning in 2000, the consequences of changes in the European single market for workers became apparent, both in terms of collective bargaining and co-determination. There was confusion about whether those responsible for representing workers at the national level had jurisdiction for involving businesses or corporate groups operating cross national boundaries. The lack of a uniform legal framework for concluding European collective agreements and differences between the co-determination structures of individual Member States has meant that labor structures in the European single market have lagged far behind commercial ones. In 2005, Horst-Udo Niedenhoff, Chairman of the Association of Companies and Society, pointed out how the entry of foreign corporate groups into the EU had undermined worker co-determination.¹² Niedenhoff drew attention to the fact that in the future foreign companies will be able to relocate in Germany without worker co-determination or with another form of it, because the European Union makes it easier for companies to merge and to transfer their headquarters elsewhere within the EU. Niedenhoff noted that it is unclear to what extent rules of codetermination apply to newly created European stock corporations. He concludes that due to different understandings and legal models of co-determination within the EU (legislation, collective agreement or voluntary), competition could emerge among them and negatively affect the thresholds for establishing worker representation, the enforceability of co-determination and the establishment of worker co-determination at the management level. There are three basic types of co-determination prevalent in Europe: pure employee representation (in 13 Member States), mixed employee representation (in five

¹¹ *ibid* 248.

¹² HU Niedenhoff, 'Mitbestimmung im europäischen Vergleich' (2005) 32(2) *IW-Trends-Vierteljahresschrift zur empirischen Wirtschaftsforschung* 3, 4 ff.

Member States) and trade union representation (in 11 Member States). The existence of different types of co-determination and collective bargaining agreements is probably the biggest hurdle to the creation of EU-wide collective agreements.

In 2008/2009, the European Union responded to the global financial crisis with a wave of comprehensive, European-wide legislation that established a macroprudential supervisory structure and a more robust approach to economic governance that continues to affect the development of wages and collective bargaining policy in the Member States.

In their 2013 analysis of the impact of European economic governance on wages and collective bargaining, Professor Thorsten Schulten and Dr. Torsten Müller note that mechanisms such as wage reductions, wage stoppages or decentralized national tariff policies aim at strengthening the austerity policies of Member States.¹³ Studies have shown that the austerity policies of deficit countries do not increase their competitiveness nor do they close the gap between high- and low-wage countries, but exacerbate debt and growth problems because of rising unemployment and lead to declines in private consumption and imports. European economic governance has also led to a decline in collective bargaining in individual countries, such as Spain and Latvia, by radically decentralizing collective bargaining systems. The most serious measures affected Member States who were dependent on the financial support of the EU and the IMF, employees in the public sector were particularly hard hit. Schulten and Müller argue that these inequalities between Member States should be addressed by developing an alternative approach to European collective bargaining, one in which unions are encouraged to put forward their own proposals for European tariff policy.

¹³ T Schulten, T Müller, 'Ein neuer europäischer Interventionismus? Die Auswirkungen des neuen Systems der europäischen Economic Governance auf Löhne und Tarifpolitik' (2013) 39(3) *Wirtschaft und Gesellschaft* 291, 292 ff.

Another essential component for aligning workers' rights and employment conditions with European tariff policy is to increase worker participation. In 2014, Reiner Hoffmann, Chairman of DGB, and Michael Guggemos, Managing Director of the Hans Böckler Foundation, called for reforming the Works Constitution Act (Betriebsverfassungsgesetz) to take into account structural changes in the workplace resulting from globalization and digitization.¹⁴ In their analysis of co-determination, Hoffmann and Guggemos stress that the process for establishing Work Councils should be simplified and their participation in areas such as job security and employee training should be strengthened, since economic efficiency and good working conditions depend on how well the Work Council is able to find an appropriate balance between the interests of employees and management. Hoffmann and Guggemos conclude that the right to co-determination should extend to personnel policies in cross-border company restructuring, which would assume the cross-border legal force of collective bargaining agreements in the EU.

In 2016, there were increasing demands for a new model for European growth, including a reform of economic governance and strengthening of tariff systems. In the publication on European economic governance, the editors, Schulten and Müller together with Guy van Gyes of the Institute for Work and Society (HIVA) at the University of Leuven, argue that the European economic governance system needs to be reformed because its policy of interventionism contributed to a decline in real wages and domestic demand, as well as to economic stagnation and rising unemployment.¹⁵ A coordinated European policy of wage solidarity could reduce wage differentials in individual employment sectors and raise wages for low-wage earners. Institutions charged with setting wages would, according to this strategy, set wages across companies and appropriately for all workers, in order to increase real wage income, increase consumer demand and encourage economic

¹⁴ R Hoffmann, M Guggemos, 'Offensive Mitbestimmung: Stärkung der betrieblichen Mitbestimmung' (2014) Mitbestimmungsförderung Report No. 3, 1–13, 4 f.

¹⁵ T Schulten, G van Gyes, T Müller, 'Fazit: Europaweite Stärkung der Tarifvertragssysteme als Voraussetzung für ein inklusives Wachstumsmodell in Europa' in: T Schulten, G van Gyes, T Müller (Hrsg.), *Lohnpolitik unter Europäischer »Economic Governance«: Alternative Strategien für inklusives Wachstum* (VSA 2016) 309–319, 314.

growth. Schulten, Gyes and Müller conclude that, strengthened by European trade unions, an alternative model of economic growth, which prioritizes social integration over market integration, should be implemented at both the national and European levels, in order to eliminate inequalities and contribute to a system of collective bargaining. This argument for an inclusive economic strategy was included as part of the Europe 2020 strategy.¹⁶

4. The Impact of Corporate Governance on Economic and Labor Relations and the Development of Collective Agreements in the EU

The legal systems of the EU Member States are based on different traditions. Differences in supervisory structures (monistic or dualistic) and differences between shareholder and stakeholder value approaches raise different types of problems, including problems of organization and control. Unions have been unable to agree on a common European tariff policy because of differing legal traditions, differences in how boards are structured, differences in systems of co-determination and in the degree to which organizations are unionized.

In recent decades, corporate governance systems in Europe have taken greater account of stakeholder interests. From the perspective of wage policy and co-determination, this offers a new starting point for collective bargaining agreements. For employees, good corporate governance means greater employment and income security, which are significant factors that increasingly play a role in corporate policy, along with social responsibility, compliance with environmental standards and the responsible use of resources.¹⁷ In addition, corporate governance systems can improve the dialogue between employers and workers' representatives by reducing potential conflicts of interest. Collective bargaining

¹⁶ Commission, 'Europe 2020: the European Union Strategy for Growth and Employment' COM (2010) 2020 final.

¹⁷ N Kluge, 'Mitbestimmung und Mitarbeiterbeteiligung – Perspektiven für die Aussöhnung von kontaktarmen Stiefschwestern' in: H Beyer, HJ Naumer (Hrsg.), *CRS und Mitarbeiterbeteiligung: Die Kapitalbeteiligung im 21. Jahrhundert – Gerechte Teilhabe statt Umverteilung* (Springer 2018), 189–196, 192 f.

could help reduce conflicts of interest by establishing new means of compensation, which allow employees to participate in the company's success e.g. offering employee stock options on preferred shares or to participate in profit-sharing schemes.

In some European Union countries, such as Italy, the introduction of corporate governance systems and CSR has not automatically resulted in the expansion or substantial improvement of co-determination or other structures for workers' participation. This is due to different legal traditions and differences in how conflicts are settled between social partners. Moreover, Italian companies are largely owned by one or more families, which often results in a strongly patriarchal management style, making co-determination especially difficult. In contrast to other EU countries, where corporate shares are mostly controlled by financial investors, in Italy, the shares of the largest listed and unlisted companies are in the control of holding companies.¹⁸ Unlike in management-led companies, decision-making processes in many Italian companies are strongly influenced by subjective factors. As a result, the social dialogue between employees and management takes place less within the company than in public, in the form of broad-based social protest movements. In recent years, Italian trade union movement has thus been a reform movement, organizing nationwide campaigns to improve labor law and social security systems.¹⁹ Italian trade unions have adopted a strategy designed to create nationwide collective agreements based on the "Günstigkeitsprinzip", which legally binds companies to the minimum wages defined by sectoral wage agreements. As a result, the Italian unions have scarcely exploited the positive benefits corporate governance systems for economic and labor relations and collective bargaining.

In France, unions face similar problems to those in Italy. While ownership structures are entirely different in the two countries, the influence of neoliberal economic policies in Italy

¹⁸ CA Mallin, *Corporate Governance* (5th edn, OUP 2016) 271.

¹⁹ S Lehdorff, H Dribbusch, T Schulten, 'In schwerer See: Europäische Gewerkschaften in Krisenzeiten' (2018) IAQ-Forschung 2018-05, 1–62, 43.

and France have led to an increasing disintegration of social standards, resulting in a decentralization of tariff systems. In contrast to the family ownership structures in Italy, in France the state is an important stakeholder and owner of many large companies. In addition, many industrial companies are owned by financial investors, such as banks and insurance companies. The French corporate governance system is largely the responsibility of the *Président Directeur-Général* (PDG) of a company.²⁰ Companies have the choice between a monistic or dualistic system.²¹ In a monistic system, the position of the CEO and Chairman of the Board is usually united in the person of the PDG. The dualistic system, the system of worker co-determination, in France is structurally similar to that of Germany, but it is much less far-reaching. The development of workers' participation has been inadequate, and combined with low rates of trade union membership, has meant that in France, as in Italy, there has been a failure to develop social dialogue at the company level.

Although French unions are able to mobilize hundreds of thousands of people to achieve important social and political goals, despite their relatively low numbers within the organization, the specific problems faced by workers in multinational corporations can only be addressed on a transnational basis. These problems include plant closures, wage competition between sites or the transformation of traditional management structures into network structures. The French unions are particularly efficient when acting together. In the past, the coordinated actions of the trade unions has led wage agreements with a particular branch to be declared generally binding.²² It is an open question how this efficiency can be used in the future to enforce transnational collective agreements at European level. This research project addresses precisely the question of how a coordinated, European collective bargaining policy can be established.

Concentration of ownership is characteristic of German companies. Typically, it is based on a dualistic system. Large companies are subject to the Co-Determination Act (*MitbestG*) which

²⁰ Mallin (Fn. 18) 266.

²¹ IFC, 'A Guide to Corporate Governance Practices in the European Union' (2015) 1–92, 39.

²² Lehndorff, Dribbusch, Schulten, 'In schwerer See: Europäische Gewerkschaften in Krisenzeiten' (Fn. 19) 31.

entails “parity codetermination” on the supervisory board, meaning that half of the board consists of employee representatives. The shareholders appoint the chairman of the Supervisory Board who is given two votes and thus is decisive for forming a majority. In 1998, the reform of German corporate governance was undertaken with the passage of the Law on Control and Transparency in Business (KonTraG). In Germany, the debates surrounding the code of corporate governance focused on the OECD Principles of 1999 and the Combined Code, forerunner of the UK Corporate Governance Code. In 2000, the Federal Government appointed the Baums Commission to propose recommendations, whose conclusions led to the adoption, in 2002, of the Transparency and Publicity Act (TransPuG). Parallel to this, the Cromme Commission drew up German Corporate Governance Code, published in 2002.²³ As in US and Great Britain, the Code was based on the lessons learned from the collapse of corporate giants such as Enron, Parmalat and the Holzmann AG.

In Germany, corporate governance was introduced to do justice to the increasing importance of capital market law. This was done by creating an effective system of external and internal corporate governance controls that guaranteed international standards would be met. The goal was to secure the long-term competitiveness of German companies, promote Germany as an attractive location for international investors, and strengthen the oversight role of the supervisory board in examining the appropriateness and propriety of management’s activities. As stated in the preamble, the German Corporate Governance Code is reviewed annually by a commission and revised, if necessary. The purpose of the Code is to increase the transparency of German corporate management and governance. By setting additional standards, it fulfills its regulatory function to strengthen the confidence of shareholders and key stakeholders, particularly employees, in the supervision and management of publicly listed German companies.²⁴ Unlike many other EU countries, in Germany, many areas of workers’ rights and social standards are regulated by law. In addition to collective bargaining

²³ Sick (Fn. 8) 130.

²⁴ *ibid* 139 f.

agreements, trade unions, together with works councils, can draw upon a legal framework which guarantees employee co-determination. Nevertheless, technological changes and cross-border corporations have exposed the limits of co-determination and the disadvantages that may result for workers when the validity of collective labor agreements are confined to national boundaries.

5. Conclusion

Today more than ever, multinational corporations are the face of a globalized market economy. Consequently, multinationals and their subsidiaries are responsible for implementing good corporate governance which acknowledges their social, environmental and economic responsibilities. Corporations must take the interests of all stakeholders who are affected by their business decisions into consideration. The global financial crisis of 2008 sharpened public awareness of the ethical behavior of companies. In both the US and Europe, millions of taxpayers contributed to saving the banking sector, and a public debate ensued about management compensation, bonuses and the ethical, social and environmental responsibilities of business that no large business or institutional investor today can ignore. As the diesel scandal at Volkswagen has shown, companies pay a high price for the failure of corporate governance and compliance mechanisms, including dramatic corporate losses and the loss of thousands of jobs. The associated reputational damage to companies can lead to a considerable loss in market value and sharp declines in sales volume. In addition, the Petrobras scandal in Brazil has shown how scandals of system relevant companies can destabilize an entire economy. In Brazil, the Petrobras scandal caused investments to fall by 30% in 2014 and 2015 while the government budget deficit rose from 2% of GDP in 2010 to 10% in 2015.²⁵

²⁵ M Sciarba, 'The Impact of Corruption in Developing Countries by the Example of Brazil and Equatorial Guinea' (2017) 5 Visegrad Journal on Human Rights 216, 217.

The involvement of workers' representatives in the controlling bodies of the company reduces the risk of poor management and promotes sustainable business management, especially in multinational companies. This explains why corporate governance models, which are based on agency theory, are being replaced by hybrid models. A parallel development in corporate governance is the move to an increasingly stakeholder-oriented model, which entails co-determination and greater employee participation. To guarantee the interests of workers in internationalized or globalized corporate structures, transnational collective bargaining agreements are necessary. In particular, without the development of a cross-border wage policy, structural changes, like the transformation of traditional business organizations into networks, can no longer be adequately regulated to protect the interests of workers. The consequences, which this research project on European tariff structures will thoroughly analyze, include dissolution and a precarious employment situation and an uncertain life for thousands of workers. This analysis provides the basis for proposals to align EU cross-border collective bargaining agreements in the light of recent changes in how businesses are organized and the impact of these changes on labor relations. This study will examine the interaction between corporate governance, CSR and the participation rights of workers, which has received little attention to date. In addition, this research should make a valuable contribution to the development of new approaches to European wage agreements.

A key element for creating European collective bargaining agreements is agreement among national trade unions in the Member States on a unified collective bargaining strategy. Linking collective bargaining demands with the creation of a larger social reform movement could lead to the implementation of a new joint European collective bargaining strategy, which European unions would lead. The aim of this interdisciplinary research project is to provide a detailed analysis of the relevant factors for implementing a structure for European-wide collective bargaining.

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