Economic Democracy in the European Union

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Three main problems

- **Escalating inequality** of wages and income
- **Concentrating ownership** of capital: not sharing in the **gains of growth** or the **benefits of science** and technology
- **Climate damage** is destroying the planet
- The **cause** is that **votes in the economy** are **controlled by banks and asset managers**
- The **solution** is **democracy in the economy**: at work, in capital, and public services.
In single channel systems, **inequality** mirrors **union membership**
US union density and income inequality, 1930-2012

T Piketty, Capital in the Twenty-First Century (2014) Technical Appendices, Table S9.2

- Taft-Hartley Act of 1947
- Landrum-Griffin Act of 1959
- Reagan controls NLRB
- Republican Congress 1994
- National Industrial Recovery Act of 1933
Union membership and inequality in Italy

Sources: OECD Trade Union Density. Piketty (2014) Table S9.2
Union membership and inequality in Denmark

Sources: OECD Trade Union Density. Piketty (2014) Table S9.2
Union membership and inequality in Sweden

Sources: OECD Trade Union Density. Piketty (2014) Table S9.2

[Graph showing trends in union density and top 1% income share from 1960 to 2015]
Union membership and inequality in Canada

Sources: OECD Trade Union Density. Piketty (2014) Table S9.3
Union membership and inequality in France

Sources: OECD Trade Union Density. Piketty (2014) Table S8.1.
Strong codetermination laws insulate **inequality** from **union density** change (it depends on who’s in government)
Union membership and inequality in Netherlands

Sources: OECD Trade Union Density. World Incomes Database: wid.world
Concentrating **capital ownership** and power: UK asset managers dominate share votes
Germany’s bank dominated system means whoever has shares, **banks** take ‘custody’ and **control 60% of votes**.
Bigger (income linked) public pensions mean stock markets are (1) smaller, (2) less diversified, meaning (3) more blockholding shareholders. Minimum public pension systems mean more share dispersion: people save in occupational pensions. That money floods into the stock market, and floods out blockholding shareholders.
Asset managers + banks dominate votes in the economy with other people’s money

- In the USA, BlackRock, State Street and Vanguard combined would be the largest shareholder in 438 of S&P 500 companies.
- They have under 50 people in their corporate governance departments: under 50 people dominate the vast majority of votes in the US economy. In the UK we have the same.
- In Germany, three banks – Deutsche, Commerzbank and UniCredit dominate votes.
Asset managers and banks abuse our voting preferences

- Financial institutions,
  - are supporting escalating director pay
  - are failing to combat climate damage
  - have failed to close the gender pay gap
  - oppose unions and fair wages ... Hirst (2018)
- Pensions in the UK have given instructions, but are being ignored: AMNT (2018)
- Germany shows instruction rights are not enough: there since the Aktiengesetz 1937.
Limits to existing laws

- **(1)** **Workers** are on boards, but do not have votes in company meetings: the default is ‘no voice’ and in a permanent minority.

- **(2)** **Accountability in capital is rule-free**: workers sometimes codetermine pension funds, but not asset managers and banks.

- **(3)** The **last 40 years set the clock back for democratising ownership**, both in stocks and privatising public services.
Existing models and plans

- The US Dodd-Frank Act of 2010 banned broker-banks voting (not asset managers)
- In 2013, Switzerland banned banks voting without instructions + duty on pensions
- In the UK, the *Manifesto for Labour Law* (2016) proposes worker votes and pension reform – adopted by Labour Party, Greens, SNP.
- Two leading US Presidential candidates...
Corporate Accountability and Democracy

We will give workers an ownership stake in the companies they work for, break up corrupt corporate mergers and monopolies, and finally make corporations pay their fair share.

Shareholder Democracy

Today in the United States, a tiny group of asset managers control most of the votes in the economy. They control shares in corporations, which control our workplaces, our pay, our security in retirement, and our environment. The three biggest asset manager firms – BlackRock, State Street and Vanguard – if combined would be the largest shareholder in 438 out of the S&P 500 largest corporations. In each firm, there are just 10 to 20 people working in corporate governance departments, who cast the votes on all corporate shares that they control. Under 50 people control the votes in the American economy.

As president, Bernie will:

- End the monopoly of shareholders on voting rights in the American economy. Every employee should be guaranteed the right to vote at work, and have a voice in setting their pay, regardless of the kind or size of company or firm they work for.

- Ban asset managers voting on other people’s money, unless they are following instructions, just like we banned broker-dealer voting in the Dodd-Frank Act.

- Guarantee the right of every saver to elect representatives who set voting policy in corporations, in multi-employer pensions, single-employer pensions, in 401(k) funds, and every other form.

- Organize sectoral pension plans, with more bargaining power, that can ditch Wall Street asset managers and take voting in-house, as we revitalize sectoral collective bargaining.

These asset managers oppose labor unions and fair wages. They support escalating pay for billionaire CEOs. They oppose action to end discrimination at work and stop the gender pay gap. They oppose meaningful action to combat climate damage. They oppose an end to corporate political spending, and billionaires buying elections, under the disastrous Citizens United decision.
The voting power asset managers control comes from other people’s money. It doesn’t belong to them, it belongs to us. It comes from Americans saving for retirement, in group and single-employer pension plans, in 401(k)s, in life insurance, and in mutual funds. But the share of workers’ capital in the stock market has been shrinking since the 1980s. Inequality has skyrocketed as workplace democracy and collective bargaining have been attacked. This has meant a smaller slice of the pie for American labor, and a growing slice for Wall Street. We need to rebalance the share of income and wealth in favor of labor. We need to give America a pay raise. We need to expand democracy in the workplace and the economy.
A European Economic Democracy Directive 2020

- art 2, **worker right to vote** in meetings, eg 20% of votes reserves
- art 3, worker right to elect **at least 2 directors, and 1/3 of the board** in companies over 250
- art 4, **work councils** with binding representation in working time, safety, privacy and expression, pensions, dismissals
- art 5, **beneficiary right to vote** for fund representatives
- art 6, asset managers and **banks not to vote without instructions**
- art 7, recommends that workers share in the benefits of enterprise: **10-20% of profits** of large companies go to **sectoral/regional funds** elected by workforce
Conclusion

Everything is going to be fine!