A Treatise on Worker Representation On Boards

"The first step in the revolution by the working class, is to raise the proletariat to the position of ruling class, to win the battle for democracy". Marx once said these words, many years ago. Enlightening people and popularizing the concept of workplace democracy. Democracy has existed for centuries, dating way back to ancient civilizations. When we think of democracy, we view it as everyone having a voice and power in our political electoral system. We implement democracy in our electoral system to represent the people’s values. But as we have seen through Marx, there is another way we can use democracy:Workplace democracy is when democratic structures exist in firms in order to represent workers’ values. In most traditional firms, the values of investors and the CEO are only upheld or relevant, while workers have no power in the decisions that affect their work life. Structures such as unions, or economic stock ownership plans(ESOPS) enhance this democracy for workers, and give them a proper say in the firm they work at. Undoubtedly my favorite form of worker democracy, Codetermination(Worker Representation On Company Boards) seems to be the most underlooked variation of democracy. Looking into the policy is ideal for workers, and implementing this can greatly change the dynamic of worker and business relationships in countries like the US. Maybe one day, if consideration of these policies begin happening at a governmental level, we may be able to fulfill Marx’s hope, or a world with workplace democracy.

96 percent of workers say they need and want more flexibility in the workplace, yet only 47 percent of workers report actually having access to the said type of flexibility (Dean and Auerbach). Today, the United States workforce consists of more than 157 million workers who are facing these issues in the US and the number is growing everyday. Considering the fact, workers make up the dominance of our society, it's vital that the

political institutions of society do everything in their power to protect and enforce the rights of said workers. This is why workplace democracy matters. As workers make up our world, empowering them is only best for our society. We see countries in Europe, empower workers, and tend to have more efficient economies and happier populations. This writing will look over a policy I wish to be seen in the US. Hence will be based in an US context. I advocate for corporations to have Codetermination, up to 33-50 percent in all companies. Here's a quick treatise on why: I shall go into detail of what the policy is and objections to the proposal, while also providing context for current day structures of firms in the us.

In the United States corporations must have a board of directors typically elected by the shareholders; this board can be any number of individuals as specified by whatever corporate bylaws they have. In general, the board of directors makes decisions as a fiduciary on behalf of shareholders. Issues that fall under a board's purview include the hiring and firing of senior executives, dividend policies, options policies, and executive compensation. In addition to those duties, a board of directors is responsible for helping a corporation set broad goals, supporting executive duties, and ensuring the company has adequate, well-managed resources at its disposal. For example, a corporation can have a board of directors including 16 representatives for shareholders and the CEO. They each vote on decisions pertaining to the company and hold immense power. In my economic philosophy, I have no inherent disagreement with the idea of shareholders and CEOs having their values being represented on the board of directors, as they provide essential capital and ideas for the corporation and hence deserve some say on how it’s run. In addition though, just as shareholders hold value for the firm, so does a worker, hence they deserve an equal say also. Without workers, the company can’t run. For this reason I advocate for worker representation in the board, in which worker representatives make up fifty percent of the board. For instance, if there are 16 members on the board of directors, 8 of them represent workers' values while 8 of them represent shareholders and the CEO. The board votes on various facets of the business and ultimately holds power to make democratic decisions pertaining to the company. A plethora of European countries have this policy, mainly Nordic. Their labor market is looked at as a success and thrives in various areas.

Let's look at the successes of the said policy. The European trade Union institute (ETUI) found that in a group of assorted metrics there was a majority positive effect on company performance in relation to worker representation on boards. The study notes these positive effects included higher wages, and better working conditions for the workers. A Harvard Forum on corporate governance written by a professor of economics from MIT, Simon Jager and colleagues further supported the results of this study by stating *From the firm's perspective, codetermination has zero (if anything, positive) effects on capital formation, productivity, and profitability (Schoefer et al.). Based on the data presented, the assorted metrics reveal that the benefits of worker representation may actually be positive in relation to company performance and profit.. The data shows that not only does the benefits of worker representation positively affect workers via democracy and higher wages but also can potentially bring upon positive effects for the corporation as well.

Obviously not conflating the idea of worker board membership with all the success of the Nordic labor market, but if we're able to create a world with democratic structures and efficient economies, why shouldn't we. Well many objections have been presented against the policy. It is critical to address various aspects of these issues.

Renowned communist philosopher and economic reality denier Akilian Prhabu, has insinuated the idea of how shareholders can threaten to withdraw capital from the company if the workers board's policy decisions are not aligned with their own interest. This threat provides more power to investors and retains capitalist controls while decreasing the power of workers' decisions on the board. The reason this is an objection can be made, is because the capital owned in the company is ultimately owned by the shareholders. Workers don't own the means of production in this scenario. Along with that, famously known descendant of communist Trotsky, and father of vigilante Miguel O Hara, Samuel Rivero Luna notes, without equity, workers may not hold true power in the company, hence invalidating efficiency of Codetermination. To clarify these scumbag comrades' stance, no true power can be held by these workers without them owning the means of production, as people like Marx have proposed. Although they may advocate for the policy, these objections make them lean towards other alternatives like ESOPS or Co Ops. In Codetermination, workers don't own the means of production but instead have a say over it. Which comes into conflict with many more radical economic philosophies. These arguments are crucial to view, as they hold logical grounding. Could Worker board presentations hold ground with these alternatives of worker democracy?

To address the idea of shareholders or investors threatening power, we have to understand their interest. Firstly, when an investor invests in a business, they consider their returns. For instance, in a recent "Shark Tank" episode, a water bottle entrepreneur asked for 500,000 dollar investment in exchange for 3% equity. The investor agreed and gave $500,000 to the business owner, waiting for equity to pay for that amount and hopefully more. Ultimately, the investor hopes for the business to succeed. Even if the board passes disagreeable policies, the investor's initial investment is likely to hold him back from withdrawing further investments. It is reasonable to claim that he may threaten the board but unreasonable to assume that they would risk both their investment and the company's possible business value. Same could be said for workers actually. What if a worker union negotiates too high a wage and it makes the company go bankrupt. The union wouldn't do that though, because the union is not completely deaf to the interests of capital and the interests of the broader business. That's the same thing with Codetermination. In theory of course the workers could ask for too much and maybe deliver on getting too much and that might hurt the company but that just doesn't tend to happen because the workers have an interest in the shared prosperity of the company as well. Since they work at it, they do care for it. When people make an investment into something, and some things don't go their way, they don't tend to easily give up on that investment they committed too. This is why the theoretical objection of investors being able to withdraw capital, shouldn't be a major issue.

Even then, this is all theoretical. Moving past theory, why don't we look at what actually happens in Nordic countries full of worker boards and investors. If companies with Codetermination implement policies, investors don't support, an immense decline in private investment should be expected. However, countries featuring working worker board members do not experience such a fault. If they did, their economy would solely rely on only one form of investment, but no data or literature suggests such a decline. Rates seem to be efficient and this issue is not seen. In fact, there is evidence that Codetermination is *better* for the economy, which I talked about in a prior paragraph. While the current address is a good thought, it is in practice negligible.

Must I admit worker board membership makes decision making harder and longer? Must I admit differences between shareholders and workers prolongs company decisions and prosperity? Thus, the real question is if worker board membership efficiently manages these maims but embellishes the aforesaid benefits. The ETUI study I mentioned before, found worker board membership did not affect a company's ability to innovate and actually increased wages. Another paper found businesses with Codetermination were less sensitive to performance cuts, meaning representative companies were less sensitive to demand shocks and maintained employment levels. Creating economies with beneficial employment schemes. Clearly, these policies grant workers their chosen pay and necessary working conditions.

Even after all that, assuming investors are open to pulling out *during* the brief periods of internal conflict. If this happens, businesses may suffer financially. However, in these weaknesses, a great strength of capitalism is revealed: the capitalist market. Under it, the two ways to raise capital are by debt and equity. Therefore, businesses also have the ability to take loans to temporarily fund their businesses. In some cases, the government can even provide funds. These options diminish any remaining risk (although usually minimal) of private investors' withdrawal.

To conclude, Codetermination is a policy that provides workers rights without sacrificing the company's economic efficiency. From a framework that necessitates debate and eventual acceptance between members, there is little evidence to suggest that it is an economic deficiency. Worker board representation indeed does stand ground, if not better then other worker democracy structures. In fact, companies with unions, Codetermination, and economic stock ownership may largely provide the same moral gains as co-ops while retaining economical self-sufficiency. Ultimately, one day, I hope to see a world where worker democracy can be implemented in the US.