#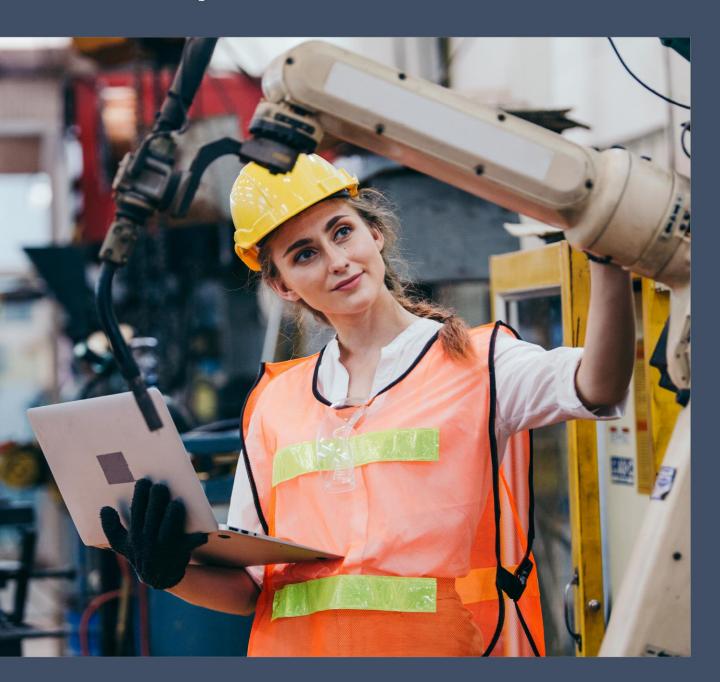 A business case for social dialogue: How workplace representation and collective bargaining deliver better business performance

GLOBAL DEAL
TOGETHER FOR DECENT WORK
AND INCLUSIVE GROWTH

Global Deal Thematic Brief

A business case for social dialogue: How workplace representation and collective bargaining deliver better business performance

July 2021

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Acknowledgements

Introduction

There are many ways in which social dialogue improves business performance while also supporting decent work and more equitable work places. An earlier Global Deal brief has demonstrated how social dialogue plays a key role in absorbing shocks and preserving jobs, managing industrial disputes, creating the stability needed for the smooth functioning of the production process, improving investment in human capital and productivity while offsetting the risks in global supply chains (Global Deal, 2017[1]; Grimshaw, Koukiadaki and Tavora, 2017[2])

Historically, the business case for social dialogue in economic research goes back to the "exit-voice" model (Freeman and Medoff, 1984[3]). Social dialogue, allows workers to collectively raise issues with management and negotiate solutions by organising "worker voice". As a result, workers are less inclined to search for other jobs and leave the company. Lower staff turnover, in turn, allows enterprises to save on costly investment in rehiring and training new workers. Likewise, a more stable workforce means that the enterprise has more experienced workers to fall back on, and provides management with the incentive to invest in human capital with the latter constituting a key factor for increased productivity.

Based on findings from recent research [see also Hermans, Desiere and Lenaerts (2020[4])] this brief focusses on social dialogue at enterprise level, citing recent empirical evidence that points to several advantages for business. It discusses how workplace representation together with collective bargaining promotes co-operation in the process of the structural change that comes with technological progress; facilitates flexibility in working time; improves the quality of management; promotes innovation; and strengthens performance on responsible business conduct.

KEY MESSAGES

- Workplace representation helps businesses to upgrade to new technology, facilitating the introduction of robots and the use of data analytics in the workplace. Social dialogue offers the opportunity for deals whereby workers agree to the introduction of new technology in return for measures that prevent adverse impacts on workers, such as retraining workers and reducing working time. Social dialogue thus helps mitigate the fear that workers will be replaced by machines.

- Workplace representation fosters the use of working time accounts. The presence of worker representation increases the willingness to enter into such working time bargains, as workers can count on their representatives to address issues that might arise regarding future implementation. This allows businesses to save on the cost of hiring and training of new workers to service a temporary increase in demand.

- Social dialogue supports management in adopting high performance workplace practices (HPWPs) such as working in teams, job autonomy, job rotation and upwards communication, as HPWP's require a climate of mutual trust as well as the availability of a skilled workforce. Both elements are provided by social dialogue, with worker voice reducing the inclination of workers to leave in search of a better job, as well as securing better access to training and skills formation.

- Workplaces with mechanisms for involving workers and trade unions in decision-making are also those where new ideas and suggestions for improvements are put forward by the workforce. In these firms, workers are already familiar with a culture of dialogue with management.

- Workplace representation strengthens the quality of responsible business conduct. The presence of robust worker voice contributes to the promotion of tangible and measurable approaches such as achieving emission targets, formulating clear sustainability strategies and focussing on concrete progress on the social dimension of doing business. It helps ensure that corporate behaviour is in line with international guidelines on business conduct, as well as adding value to the business by, amongst other things, moving the firm to the frontier of innovative approaches to challenges such as climate change or lack of decent jobs.

Social dialogue: A reminder

Collective bargaining, which is considered to be an important form of social dialogue, is defined in the ILO's Collective Bargaining Convention, 1981 (No. 154) as "all negotiations which take place between an employer, a group of employers or one or more employers' organisations, on the one hand, and one or more workers' organisations, on the other, for: (a) determining working conditions and terms of employment; and/or (b) regulating relations between employers and workers; and/or (c) regulating relations between employers or their organisations and a workers' organisation or workers' organisations." (ILO, 2011[5]).

Tripartite social dialogue also constitutes a form of social dialogue that has the potential to generate wide repercussions, in particular when this is conducted at national level between governments and nationwide organisations of employers and workers. It can be defined as interaction of government, employers and workers (through their representatives) as equal and independent partners to seek solutions to issues of common concern (Consultation (Industrial and National Levels) Recommendation, 1960 (No. 113) and the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144). (ILO, 2018[6]) (ILO, 2019[7])

Workplace cooperation concerns the "consultation and cooperation between employers and workers at the level of the undertaking on matters of mutual concern not within the scope of collective bargaining machinery, or not normally dealt with by other machinery concerned with the determination of terms and conditions of employment" (Cooperation at the Level of the Undertaking Recommendation,1952 (No. 94).

Finally, there is bipartite social dialogue. This involves employer(s) and/or employers' organisations, and workers' organisations that agree to exchange information, consult each other or negotiate together. It is often practised through collective bargaining or workplace cooperation. This can, among others, be about bipartite agreements on occupational health and safety or, and this is a relatively new development, about global union federations negotiating a so-called international framework agreement with a multinational company.

The focus of this brief is how workplace representation can generate effects that are also to the benefit of business. Depending on the different research results used in the brief, representation of workers at the enterprise level can take the form of the existence of a statutory system of employee representation, the presence of a trade union or a trade union delegation in the enterprise, a composite indicator measuring to what degree the enterprise and its workers have collective bargaining coverage, worker representation coverage and trade union density, the presence of worker representatives in a supervisory board or the extent to which workers themselves report the involvement of trade unions in workplace decisions. This also implies the use of a diversity of social dialogue instruments. While the exact form of social dialogue is not spelled out in each case of this brief and can vary according to the national tradition and culture of social dialogue in the respective countries, these cases can be considered as forms of bipartite social dialogue that combine workplace cooperation with collective bargaining.

Encouraging the use of new technology in the workplace

It is important for enterprises to respond actively to structural changes. Forces of market competition, technological progress and wider societal challenges interact with each other, often putting pressure on companies to adapt workplace organisation and practices.

Progress in automation technologies, such as robots and artificial intelligence, represents one such megatrend, which neither business nor workers can ignore. For the former, automation offers the possibility of improving competitiveness and profits. For the latter, however, effects are more ambiguous, as there may be fears about job displacement and expectations of productivity-based wage increases at the same time. This raises the question of what role social dialogue plays when it comes to implementing new digital technologies, in particular through enterprise-level worker representation. Will the presence of trade unions and work councils obstruct or encourage the technological upgrading of workplaces?

Research using the 2019 European Company Survey (ECS)[1] and covering 21,000 workplaces in 28 countries provides interesting insights (Belloc, Burdin and Landini, 2020[8]). A positive and statistically significant association is identified between the presence of worker representation[2] and the use of robots and data analytics in individual establishments[3].

Quoted research also identifies the exact mechanisms driving the association between "worker voice" and investment in automation. To do so, a deeper dive is taken into the more detailed information available in the ECS on dismissals, strikes and the influence of worker representation on training, work organisation and working time arrangements.

The – rather negative – argument whereby management is supposedly investing in automation and robots to circumvent adversarial labour relations, rigid job protection or the influence of worker representatives on dismissals, is rejected by the econometric analysis. Instead, the empirical evidence points at positive mechanisms explaining the link between worker representation and investment in automation. In particular, it finds that worker representation encourages the upgrading of workforce skills while also impacting job design and working time management. All three workplace practices can be seen as complementing investment in automation. Skills upgrading allows workers to remain employed when new technology requiring a different skill set is introduced. Job design opens up the possibility of using automation to carry out tasks that are hazardous, unhealthy or unpleasant. Meanwhile, by influencing working time management, employees can work shorter hours thereby avoiding significant job redundancies, or working time arrangements can be developed that enhance work/life balance.[4]

Worker representation has the potential to significantly facilitate the introduction of new technologies in the workplace. By linking the adoption of new technologies with arrangements on job retraining, job design and working time arrangements that keep the number of job places while also improving work/life balance, workers are given the important signal that they will be retained by the enterprise and that the quality of their jobs will improve. In this way, social dialogue helps to transform workers' attitudes on new technology from resistance to co-operation.

This research also shows that the positive impact of worker representation on workplace automation is driven by workplaces that are covered by higher-level collective bargaining agreements (Belloc, Burdin and Landini, 2020[8]). It argues that when wages are being negotiated at higher levels, local worker representation is less likely to engage in negotiations that would capture the entire productivity increase resulting from automation in wages and would reduce the incentive to invest.

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[1] The ECS is a questionnaire-based representative sample survey of business establishments with at least 10 employees. Interviews take place with the manager responsible for human resources in the establishment and when possible with an employee representative. It is being carried out since 2004-2005 by the European Foundation for the improvement of living and working conditions (https://www.eurofound.europa.eu/surveys/european-company-surveys).

[2] Worker representation is defined in this research as the presence of a trade union, works council or any other country-specific official structure of employee representation (e.g. joint consultative committees) in the establishment. This definition excludes ad-hoc forms of representation and individual employee voice mechanisms (Belloc, Burdin and Landini, 2020[8])

[3] In particular, the presence of worker representation in the enterprise is associated with a 1,4 percentage point increase in the use of robots and a 3.8% increase in the use of data analytics (Belloc, Burdin and Landini, 2020[8])

[4] For one example, see the second case of the collective agreement described in Box 2 in this brief.

Box 1. Social Dialogue Facilitating the introduction of New Technologies at the Workplace

Megatrends such as digitisation and artificial intelligence are likely to change how workplaces are organised. Jobs may remain available but workers will be required to perform new tasks in their existing jobs or to entirely change jobs. It is important to anticipate and prepare for these developments to prevent an adverse impact, while maximising the benefits of new technologies.

Hamburger Hafen und Logistiks Aktien Gesellschaft (HHLA), a leading European port logistics company in Hamburg, and the German trade union ver.di managed to use social dialogue to anticipate changes in the workplace originating from technological innovation and artificial intelligence.

In 2013, they negotiated a collective agreement on "Protection of Innovation and Restructuring". It sets out a framework on how to cooperate as social partners when introducing future technological projects, arranging in particular for the early involvement of the works council. In case a significant impact on jobs and workers is expected, the agreement sets out the measures to be taken including:

- Training of workers in the form of project-related qualification measures
- Safeguarding or improving health
- Ensuring job security
- Offering an alternative job

When a new working method in the form of remote checking of arriving freight was introduced in 2017, social dialogue helped to manage this structural change and shielded workers from possible detrimental effects.

Previously, containers coming in by train at one of its container terminals (Container Terminal Altenwerder) were manually recorded by staff who were physically present in the railway facility. This process is now digitalized by using 16 cameras. These record the data on the container and allow entire trains to be displayed digitally on remote computer screens. Consequently, train-checkers are no longer needed as the work has shifted to offices, from where workers behind screens process train container traffic.

In line with the collective agreement, the works council got involved with the aim of preventing workers from being made redundant. Social partners succeeded in doing this by offering former train-checkers the training they required to be re-employed as "screen-checkers". Moreover, considering that workers who used to walk long distances every day were now doing office-based jobs, compensatory measures to safeguard health, such as an additional break of 15 minutes, were introduced. Other health risks continue to be monitored and can lead to further negotiations with worker representatives on how to remedy these risks (e.g. better desks, screens, etc.)

Social dialogue also makes the introduction of new technology or new working methods run more smoothly. It is no coincidence that there exists a culture of openness to change amongst the workforce at HHLA. The knowledge that there is an institutional framework to manage and mitigate the adverse impact resulting from structural change helps to transform the attitude to innovation and change from resistance, to cooperation. By improving acceptance to change and by facilitating the introduction of new technologies, social dialogue contributes improving the company's competitive advantage.

Note: The full text of this good practice example is available on the Global Deal website:
https://www.theglobaldeal.com/resources/HHLA-Good-Practice-December2020.pdf
Source: The Global Deal, 2020

Facilitating and balancing working time flexibility

To respond to economic shocks and fluctuations in demand, enterprises have developed flexible working time arrangements, as they allow firms to adapt working hours in line with variations in workloads. One method is to use working time accounts by which workers build up "credits" or owe "debts" in hours worked. This allows enterprises to avoid the cost of hiring and training new workers in cases of temporary boosts in demand.

Research based on individual enterprise data, and using the timing of the introduction of the 2002 European Directive,[5] sheds light on the question of whether the presence of institutional employee representation hinders, or facilitates the introduction of these flexibility-enhancing working time accounts (Burdin and Pérotin, 2019[9]). The directive provided workers with information and consultation rights on the key issues related to their enterprise. For four European countries (Cyprus, Ireland, Poland and the United Kingdom), the directive implied a significant change in national legislation, introducing a statutory system of employee representation.

For these four countries, the empirical evidence shows that this new institution of workplace representation promoted the use of working time accounts in the enterprises affected by the directive (Burdin and Pérotin, 2019[9]). This group of enterprises[6] is estimated to have experienced a 5.5 percentage-point increase in the use of working time accounts as a result of having worker representation, with the reform raising the incidence of working time accounts in enterprises employing between 50-99 workers by 33%. Furthermore, the impact of workplace representation on this type of working time flexibility appears to be driven in particular by enterprises in which wages are not bargained at enterprise level but at higher levels, and by enterprises that either have a higher share of female workers or a higher share of low-skilled workers. The former is in line with the argument that negotiating wages at the industry level allows to shift the bargaining agenda at the enterprise level from the distribution to the size of value added including the implementation of more productive forms of work organisation and working time. The latter could be linked to the fact that flexible working time can cause tensions among production team workers when some of them decide to take compensatory time. The presence and involvement of worker representation may then ease such tensions as it provides a collectively agreed standard that can be referred to. Another result is that managers in enterprises with workplace representation report a lower incidence of low-motivated workers.

Three reasons explaining the empirical result of increased use of working time accounts after introducing a worker representation can be put forward. The presence employee representation allows to overcome problems such as incomplete contracting and time inconsistency while at the same time shaping forms of flexible working time that are also of benefit to workers.

Incomplete contracting refers to the fact that it is difficult to agree and write down detailed rules in individual contracts that specify how and when working time can vary and related rights can be accumulated and used. The existence of an employee representation offers management a platform for communication and exchange with the workforce that can be mobilised to develop and adapt working time arrangements in line with market developments as they arise. Time inconsistency on the other hand is about making sure that a "promise made is a promise kept". How can workers be convinced that overtime worked will effectively be rewarded by time off in the future? The credibility of the longer-term employer commitment can be improved by the existence of a worker representation that can be trusted to address issues of correct implementation should these arise. This, in turn, facilitates the introduction of working time accounts, as workers' confidence in the arrangement is bolstered. The presence of an informed worker representation at the enterprise thus works to the benefit of

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[5] Directive 2002/14/EC of the European Parliament and of the Council of 11 March 2002 establishing a general framework for informing and consulting employees in the European Community (https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32002L0014).

[6] This estimate was based on a "difference-in-difference" approach that compared the group of companies with 50-99 workers with companies employing 10-49 workers, both before and after the introduction of the European Directive.

business as the introduction of a type of organisational flexibility that can address fluctuations in demand is facilitated.

A third reason linking up working time accounts with workplace representation is that the latter also allows to balance the flexibility that is pursued by management with the needs and interests of workers and their families. Poorly designed working time flexibility can result in employees experiencing problems with health, family life and on-the-job safety. In particular, unpredictable and volatile working hours trigger worse health-related outcomes (increased stress and fatigue, poor sleep quality) and increased difficulties in maintaining family relationships (Labriola and Schneider, 2019[10]). Social dialogue then helps to support the introduction of new working time arrangements by addressing the conflicting interests these imply, and shaping them in ways that are more acceptable to the workforce. Research results from (Jirjahn, 2008[11]) point in that direction. Using data from manufacturing firms in Germany, this author finds that, compared to a situation where no council is present and management has a negative attitude towards employee involvement, the presence of a works council coupled with a positive management attitude is associated with a significantly 12% higher probability of the use of shift work.

Finally, it is of interest to note that the former analysis around time inconsistency can be extended beyond the issue of working time flexibility to cover other types of workplace-based productivity bargains that rely on management being perceived as likely to act in a way that does not breach the confidence of workers. This has to do with, as referred to above, the fact that the employment contract is necessarily incomplete. Many aspects of work are difficult to formalise, and can evolve depending on future (market) dynamics. This explains the practice of implicit understandings, whereby workers offer their continuing engagement in the workplace but in return expect management to remain committed to taking their concerns and interests into due account. For example, workers will put in more effort in their jobs, take initiative to suggest ways to increase productivity and will be more willing to do overtime when trusting that dismal changes to their working conditions such as reducing job security, cutting pay and benefits or intensifying work are unlikely to be decided. Robust worker voice will make such implicit arrangements, more likely to occur as it strengthens workers' confidence in the respect of the arrangement by management. On the other hand, shallow or weak implementation of worker voice is unlikely to deliver the stability needed for these implicit arrangements to survive in turbulent times, such as in recessionary periods (Zeitoun and Pamini, 2020[12]).

Box 2. Bridging divergence in working time priorities

One workplace issue where the views and needs of business and workers tend to diverge is the management of working time. While workers attach importance to the duration[7] of daily and weekly working hours, and to issues such as the predictability of scheduled working hours and their compatibility with work-life balance, management seeks to improve efficiency by closely aligning working time with market demand and organisational needs.

Several examples show how social dialogue can be used to handle this divergence by shaping working time regimes that are of benefit to both business and workers:

- ING-DiBa is an internet-based retail bank in Germany employing 4,000 workers. Since January 2017, a collective agreement on working time options ("Pact for the Future 2.0") has been in place with the service trade union ver.di (Die Welt, 2017[13]). In an initial time-period covering between three and nine months at most, employees can

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[7]   While full time employees are concerned about avoiding long working hours, part-time employees often want to be able to work longer hours.

accumulate hours to build up and finance their working time credit. Workers who have been employed by ING-DiBa for an uninterrupted period of 5 years can make use of the working time options in two ways, either by going for a short-term sabbatical (DiBa Flexi-Time Basic) or for a temporary part-time employment (DiBa Flexi-Time Extra). In the former case, leave from work lasts from a minimum of one, and a maximum of three months. In the latter case, working time can be reduced to a minimum of 15 hours a week for a period up to 6 to 12 months. This form of flexi-time can be used for the care of close relatives, for further training if there is a professional link with financial services activity or to participate in a social, environmental or other non-profit project. Wages are reduced in line with reduced weekly working time, but gross wages are topped up by the employer by 20% without however exceeding the level of the previous gross monthly basic salary. In return, ING-DiBa benefits from being credited as an employer who rewards workers' motivation and effort by providing them with innovative measures to improve their work-life balance. Collective bargaining on working time supports the company's human resource strategy of attracting, maintaining and motivating qualified workers.

– At the beginning of 2018, the German employer federation Gesamtmetall and trade union IG-Metall signed a collective agreement that, besides increasing wages by 4.2%, also provided three options to manage working time in more flexible ways:

   i) Full-time workers with a seniority of at least two years can reduce weekly working time to a minimum of 28 hours for a period of 6 to 24 months. This option is limited to no more than 10% of staff.

   ii) Workers affiliated to IG-Metall and with a child younger than 8 years, with a dependent family member or with a job that is highly demanding, can choose to forego a special premium of 400 Euros to benefit instead from 8 additional days of leave.

   iii) Employers are allowed to increase working time to a maximum of 40 hours through agreements with individual workers. The number of workers concerned is limited by the agreement to 13% to 18% (depending on the region). However, if the works council agrees, the share can increase to 30% of staff.

The idea behind this interplay of three options is to allow enterprises to keep average working times by compensating shorter working hours for one part of the staff with longer hours for others. An evaluation by the Institut für Wirtschaft concludes that respectively 26% and 74% of the firms in the German metal sector received applications relating to the first and second option, whereas more than half of the enterprises (54% and mainly small and medium enterprises) made use of the third option of flexibilising and increasing working time (Planet Labor, 2020[14]).

– Another interesting perspective for business is to mobilise social dialogue on working time to invest in human capital, thereby addressing one of the key stumbling blocks that prevents workers from participating in lifelong learning, namely the lack and availability of time to engage in training initiatives. This is illustrated by the 2017-2020 collective agreement concluded by Denmark's largest trade union confederation (HK) and the Association of Danish Enterprises. Employees who have worked at least six months are financially supported and can take two weeks' leave to participate in vocational training of their choice, provided the needs of the enterprise are taken into account. To finance this, a training and qualification fund is set up into which each business that is part of the collective agreement pays in a fixed sum per year and per full-time equivalent (Schneider, 2018[15]).

Assisting management to adopt better workplace practices

Across countries, social dialogue can be linked with high-performance work practices (HPWP) that enhance worker skills and motivation such as autonomous teams, job rotation, job autonomy and upwards communication. For example, research carried out on the basis of employee-level information from 16 countries in the fourth European Working Conditions Survey uses an indicator of indirect worker participation (summarising worker representative coverage, union density and bargaining coverage). Using a regression controlling for other factors such as power distance, labour market rigidity and culture, it finds that this measure of worker participation is positively associated with the use of autonomous teams and job autonomy (Ollo-López, Bayo-Moriones and Larraza-Kintana, 2011[16]; Gill and Meyer, 2013[17]). This could be explained by the fact that countries with institutions that include worker representation already have a tradition of worker voice on employee-related issues. Managers and workers are consequently more open to new approaches to work organisation that give workers more say in how the work is performed. Another possible explanation is that HPWP require workers to have a certain set of skills as well as an atmosphere of trust between workers and management. Both elements depend on the existence of a long-term employment relationship. By reducing staff turnover (Freeman and Medoff, 1984[3]), trade unions and worker consultative bodies help to achieve such a relationship, thereby preparing the basis for a HPWP to be implemented.

Case studies confirm and illustrate previous country-level research (Doellgast and Marsden, 2018[18]). In dealing with the opening of the European communications market, telecom enterprises resorted to strikingly different policies in staff performance management, depending on the presence and intensity of social dialogue.

In enterprises in which worker representatives were strongly involved in joint consultation and decision making through participatory bodies such as works councils, social dialogue facilitated the implementation of incentive-promoting techniques such as performance pay while helping to adjust these practices in the light of changing circumstances.[8] The former is due to the way in which the use of social dialogue assists in preventing arbitrary monitoring of performance, and instead supports perceptions of fairness in incentives and rewards. As a result, workers are more likely to co-operate and react positively to these performance-incentive systems.

For example, the Danish telecommunications company TDC Group a has a tradition of social partnership where worker voice is strongly supported by works councils, and shop stewards and trade unions work closely together. The system of performance pay was adapted at TDC Group on the basis of social dialogue to reflect not only individual efforts but also the efforts put in by the team and to reward workers who had participated in training and coaching.

Deutsche Telekom (DT) has had a similar experience. By involving the works council, in 2007, DT was able to introduce a system of "pay at risk", where fixed pay and bonus pay take up 80% and 20% of total remuneration, respectively. In return, an agreement was made with the works council to protect workers against major pay insecurity. Observing that workers in the lowest pay groups (earning fixed pay below EUR 17,000 a year) were nevertheless experiencing severe pay insecurity, the share of fixed pay was increased for certain groups of workers in 2012. In 2013, the overall system itself was simplified to take into account that workers were not in a position to influence the different objectives they were supposed to reach.

Both cases show how social dialogue can make performance pay systems fairer and more meaningful to workers, the company and customers.

Social dialogue at the workplace can also help to raise the quality of management. Using a random sample of 28,000 employees from the 2015 European Working Conditions Survey, a higher competence of management

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8   Moreover, this research also stresses another channel by which social dialogue fosters more modern human resource management practices: In companies where workers are more protected, either because of union influence (as in the case of British Telecom) or because of labour law (as at France Telecom), management used techniques to motivate workers such as performance pay instead of resorting to sanctions.

is reported when formal institutions to involve workers, such as an enterprise council, exist (Artz, Goodall and Oswald, 2020[19]). Exploiting the fact that legal membership thresholds exist to determine the number of union representatives in firms in Portugal, the econometric analysis finds that such union representation makes enterprises more productive, more competitive internationally, more profitable, register more employment growth and more able to survive a deep recession. In particular, a 1 percentage-point increase in the ratio of union delegates to the number of unionised workers in an enterprise increases sales per worker by at least 7% (Martins, 2019[20]). The same analysis also finds that union representation produces such results by enhancing worker access to training, thus building a more highly skilled and productive workforce. The author considers that union representation and the increase in human capital this implies functions as a correction for the fact that management quality[9] in Portugal only ranks 8th out of 12 European countries examined (Bloom, Sadun and Van Reenen, 2017[21]).

Box 3. Improving workplace performance through social dialogue

Social dialogue allows workers to raise issues that affect workplace performance, which can be illustrated by this example from Fairtrade. As a Global Deal partner, Fairtrade supports social dialogue on certified banana plantations by bringing together employers, trade unions and workers. In 2019, three days of meetings and dialogue were organised by Fairtrade in which management and workers of the three main banana plantations in Ghana participated. These plantations employ some 4,000 workers. The point of departure for the discussions was how to work together as partners to further improve job quality. Better pay and living wages were quickly identified as key issues.

The discussions also led to other issues being raised such as how the work was organised and how this had a detrimental effect on specific groups of workers. In particular, female workers were over-represented in lower wage jobs due to facing both physical as well as other barriers. One example was the irrigation ditches that run between the trees on the plantations. Many men can jump over them but some female workers find these distances unsafe and so are discouraged from working in the fields, even if this pays better. By identifying and talking about such issues, workplaces can be better designed.

Source: *Working Together to Achieve Decent Wages, Gender Equity, and Health And Safety,* Fairtrade.Net, 23 May 2019 – [Working together to achieve decent wages, gender equity, and health and safety - (fairtrade.net)](fairtrade.net)

Supporting innovation in the workplace

The capacity of social dialogue to contribute to major breakthroughs in product development, service delivery and work organisation becomes apparent when using a so-called "Doing, Using and Interacting" approach (De Spiegelaere et al., 2014[22]). This approach looks at how new ideas and products are generated from the interaction between employees who, when performing their daily tasks, may come up with suggestions that provide added value to the business.[10] It builds on the "exit-voice" model that argues that collective voice allows workers to raise concerns to management rather than leaving their jobs (as mentioned in the introduction). Employees in workplaces where such a collective voice mechanism exists can be expected to be more active in suggesting innovative improvements.

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[9] Management quality (Bloom, Sadun and Van Reenen, 2017[21]) is measured along three dimensions: Knowledge of what goes on in the firm, setting appropriate targets and acting upon them and human capital management.

[10] A different approach is the "Science-Technology-Innovation" approach. This is more "top-down". It uses indicators such as research and development (R&D) expenditure, the share of graduates and the number of patents applications to measure innovation performance.

Using data from the 2017 Skills and Employment survey, a national survey sample of adult workers in the United Kingdom, an innovative jobs index has been constructed to summarise the extent to which workers suggest improvements at work and whether such recommendations were effectively taken up. The result is a long tail of jobs to be classified as low innovation jobs (Felstead et al., 2020[23]). Examining the factors that could influence the generation of innovative ideas at the workplace, this research demonstrates that providing workers with individual as well as collective voice makes a difference. Individual workers who enjoy task discretion, have a say in workplace changes and have access to training that invites them to "think outside the box" and workers reporting trade union involvement in workplace decisions show a higher capacity and willingness to offer new ideas at work. According to the multivariate analysis, employee involvement explains 25% of the variation in the innovative jobs index, while training and supportive line management on the one hand and performance management on the other hand respectively account for an additional 19% and 25%.

These findings are confirmed by a paper comparing the UK experience with innovation at the workplace to Norway (Bryson and Dale-Olsen, 2020[24]). Workplaces in Norway, where trade union density is four times higher (50% vs.13% in the United Kingdom), report a greater incidence of innovation than UK workplaces, in particular when product innovation is concerned (60% vs. 33%). Delving deeper by using multivariate regressions that control for other factors such as, for example, the size of the company, shows that in both countries companies that are involved in local level bargaining are 10-12% more likely to innovate on products compared to companies that set wages in the absence of unions.

Strengthening commitment to responsible business conduct

Over the years, the importance of responsible business conduct (RBC) in business strategies has grown. The OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy are international, government-backed guidelines and agreements on RBC that call upon corporations to respect human rights and address social and environmental concerns in their own operations and supply chains.

Acting in line with the recommendations of these instruments provides significant added value to business. For example, managing labour, environmental and human rights risks may be required by government legislation in some jurisdictions, or by investors or business partners. It may also help protect a company's commercial reputation, reduce litigation costs and help secure a competitive position by moving the firm to the frontier of innovative approaches to challenges such as climate change or lack of decent jobs.

RBC and the tools that go with it, such as due diligence or sustainability accounting standards, can also improve supply chain management and corporate governance. Mapping and evaluating supply chains, including along the dimensions of employee relations and environmental sustainability, provide management with better knowledge of the state of affairs in their global value chain and of the social and environmental vulnerabilities of the enterprise. Potential risks to the stability of the production process are better identified and can be prevented and addressed, which, in turn, improves business resilience. Finally, there are also signs that improved and stable relationships with suppliers and stakeholders are valued by financial investors, resulting in a higher company share price on stock markets (Financial Times, 2020[25]). In other words, RBC is not only recommended under international guidelines and treaties, and required by some national regulations, it is also beneficial for businesses to adopt.

Social dialogue and responsible business conduct, however, are not independent of each other. Social dialogue is an integral part of the due diligence approach for responsible business conduct recommended by the OECD and the ILO, as due diligence needs to be informed by meaningful stakeholder engagement. The presence of social dialogue in a business can support a company's due diligence by allowing for an early warning of possible issues with business social responsibility, and by providing a channel for an open discussion about preventative or remedial action. Social dialogue can also be an enabling factor in a number of different risk areas, such as too low wages and excessive working hours and working time, in particular by mobilising the instrument of collective bargaining. Analysis of compliance assessment data in garment

factories in five countries over repeated years of capacity-building and monitoring by the joint ILO-World Bank Better Work projects illustrates this. It finds that workplace unionization and the presence of collective bargaining processes are associated with lower non-compliance with national regulations covering salaries and benefits, contracts, as well as occupational safety, health, and welfare standards. Moreover, the process, rather than strictly the content, of collective bargaining agreements reached appear to have positive effects for improving working conditions (ILO, 2020[26]).

Examining the relationship between the presence of worker representatives on supervisory boards in 96 German companies and company policies relating to society and environment over 2006-14, research shows that stronger co-determination goes hand in hand with a more substantive company policy on RBC-practices (Scholz and Vitols, 2019[27]). Workers as stakeholders appear to be using their voice to promote tangible and measurable policies. In quoted research, the latter includes specific targets to reduce emissions, the publication of an annual report and sustainability and the presence of a job security policy that avoids lay-offs. In contrast, worker representation are found to have little interest in non-binding calls and general intentions to pursue the "common good".

Research from the United Kingdom draws a similar conclusion. Combining data on how individual UK companies are assessed by Sustainalytics, an external global leader in sustainability research and rating, with data on union density while controlling for the size of the firm and return on equity, higher trade union density is associated with higher performance on the social dimension[11] of doing business. (Boodoo, 2020[28]). Further, above a certain threshold (when trade union density reaches 60%), enterprises devote as much attention to employee-related issues as to non-employee-related concerns (environment, community). This suggests that worker voice and social dialogue, when sufficiently strong[12], tend to take a broad view and incorporate not only immediate work-related issues but also wider societal concerns.

Box 4. Strengthening stability of industrial relations in global supply chains

The program on Workplace Cooperation (WPC) is a partnership between Better Work and Gap Inc. Launched in 2016, the partnership trains workers and managers that are members of bipartite committees with the aim of more effectively addressing and resolving noncompliance issues and strengthening workplace cooperation. Bipartite Committees (BCs) are committees made up of management and worker representatives in equal parts. In case such a committee is required by law, Gap Inc. does not take the initiative to set up a separate one. Training modules are structured around eight key areas: Communication; Problem Solving; Grievance Mechanism; Risk Assessment; Health and Safety; Bipartite Committee Roles and Responsibilities; Industrial Relations; and Negotiations. The programme focusses on factories supplying Gap Inc. and are located in Bangladesh, Cambodia, China, Guatemala, India, Indonesia, Myanmar, Philippines, Sri Lanka, and Vietnam.

An evaluation of the programme draws on data and interviews collected in 2018 in a sample of six factories from six countries – Bangladesh, China, Guatemala, India, Philippines, and Vietnam. It reveals that workplace cooperation also works to the benefit of business.

This analysis starts from the fact that in many of these countries, relations between workers and managers are rather rigid and hierarchical. Workers are expected to remain silent and do as instructed, while management maintains clear authority. Speaking up could be perceived as a sign of disrespect, or insulting to management. Hence, when trainings were provided by

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[11] The social dimension is defined as employee-oriented corporate social responsibility (Boodoo, 2020[28])

[12] If union density rates are lower and between 10% and 60%, this paper finds that there is a substitution going on between non-employee-related concerns with employment-related corporate social responsibility.

Gap Inc. to the bipartite committees, workers were found to behave "shyly", "nervously", and 'bookish'. Over time, with repeated interaction, and a focus on building cooperative relationships, trust started to develop and both workers and managers became more comfortable in openly discussing with each other. Management representatives across the six countries observed a change in workers' confidence, stating that the latter "very easily come to the bipartite committee and raise their voice" (Bangladesh); "have more confidence in communication" (China); "are not afraid now, can express their feelings" (Philippines); and that "workers are communicating, and we feel closer to them after two years (Guatemala) (Pike, 2020[29]). Managers also said that, whereas they might have previously been brief or expressed frustration with workers, they were now taking more time to try to understand what challenges workers were facing. From their side, workers said that managers became more open-minded through this process, that they were listening to workers, and engaging with them more politely.

As a result, problems at work are more easily raised and openly addressed. Whereas before workers would simply leave the job out of fear they would be retaliated against if they spoke up about their problems, they are now instead expressing their concerns. Workers also appreciate the fact that management is taking their ideas seriously and this makes them more open to explore, together with management, practical but effective ways to address these issues.

Feedback from both workers and managers indicates that this improvement in communication and workplace relationships led to a greater sense of agency, ownership, confidence, voice, and empowerment among the workers. They started to feel that they could make a difference, that their voice matters and that consequently they also have the responsibility to address shop floor issues in a cooperative way.

This strengthening of the machinery for addressing workplace concerns was found to have noticeable effects on business performance. Disruption in production is avoided as problems more often get resolved before they can escalate into bigger conflicts. Across the six factories in the six countries, the evaluation found that absenteeism was reduced and that workers were less likely to switch to another factory and quit their jobs. While managers reported that they are now able to receive "minute level of detail" information of what is happening at the shop floor enabling them to resolve issues more quickly, workers testify to feeling less stressed and more motivated on the job. Workers also feel safer as they are taking more of a role to identify potential hazards, and feel comfortable to do so because they trust the bipartite committee to resolve the issues.

All of these effects - more stable production, less labour turnover, more motivated workers, better information flows, better management of hazardous work - translate into improved efficiency and higher productivity for the enterprise.

Finally, but importantly, the evaluation stresses that while training helps to unlock the benefits of workplace cooperation, it is essential to ensure that workers trust the bipartite committee to function properly. This implies the election of worker members of the bipartite committee that are independent from the employer so as that workers perceive them as their true representative. It also includes giving worker representatives adequate time to collect information from workers, present that information in meetings, and share relevant feedback. Moreover, worker representatives must feel protected in their role, in particular from retaliation for speaking up. These constitute key conditions for worker voice to be effective and to generate the benefits for business that were described above.

Source: (Pike, 2020[29])

Conclusion

This brief has presented results from a range of empirical research examining the impact of worker representation at the workplace on business performance. It finds that such worker representation and the processes of social dialogue that go with it such as bipartite social dialogue, collective bargaining and workplace cooperation, offer much potential to contribute to business performance. It facilitates the introduction of new technologies, flexible working time systems and high performance workplace practices while also promoting innovation and playing a key role in strengthening company performance on responsible business conduct. The evidence shows that business, by engaging in social dialogue, can foster these different processes of structural change and thereby contribute to improving the performance and competitiveness of the enterprise.

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The Global Deal for Decent Work and Inclusive Growth

The Global Deal is a multi-stakeholder partnership that aims to address the challenges in the global labour market to enable all people to benefit from globalisation. It highlights the potential of sound industrial relations and enhanced social dialogue to foster decent work and quality jobs, to increase productivity, and to promote equality and inclusive growth. The Global Deal welcomes governments, businesses, employers' organisations, trade unions, as well as civil society and other organisations to join the partnership.

The full list of partners is available at www.theglobaldeal.com/partners

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