Acas is delighted to contribute to the discussion initiated by the government in its Green Paper on corporate governance reform. As an impartial non-departmental public body with a statutory duty to improve employment relations in Great Britain, we have considerable experience of systems of worker representation and how these can be made to work successfully.

Public trust in institutions and corporate bodies has been in decline in recent years and if the UK is to address some of its current challenges around productivity, and realise the benefits of government’s new industrial strategy, it is essential that our corporate governance framework is as good as it can be. Ensuring that employees have a say in corporate affairs is particularly important and Acas therefore welcomes the attention being paid to strengthening employee voice at board level. It is no surprise that the latest edition of the Edelman Trust Barometer identified that positive treatment of employees by an organisation was top of the list of factors that are most important in building trust in a company; well ahead issues such as listening to customers or paying taxes (http://www.edelman.com/global-results/).

There is a now a considerable body of evidence which demonstrates a strong relationship between employee voice and commitment and positive organisational outcomes. Acas therefore welcomes the attention the government is giving to strengthening employee voice in the upper reaches of company governance structures. In our experience involving employees in business decisions brings benefits for everyone, irrespective of whether this is done through unions or other arrangements such as stakeholder advisory panels or consultative committees. Of course worker representation in company decision making at board level is just one part of establishing good employment relations in organisations. Other influences include management style, employee engagement and organisational policies.

There is no one magic bullet approach to strengthening employee voice but all of the options set out in the Green Paper have merit. A practical way forward may well be to introduce a combination of the various options. For instance a specific non-executive director, perhaps with a strong professional employee relations background, could be designated to represent the views of employees at board level and could consult and communicate with these employees through a dedicated employee advisory group.

The key to ensuring that employee voice at board level is truly strengthened will of course lie in the detail of how specific reforms are taken forward and we know our work with organisations and from academic research that that there are a number of factors which are particularly important for successful worker involvement. The government may wish to reflect on these issues in taking forward the ideas set out in the Green paper. The issues include:

- Transparency and fairness in the selection of worker representatives;
- Clarity about the constituencies from which representatives are drawn, and;
- Clarity about how the involvement arrangements sit alongside and support other mechanisms for facilitating employee voice and engagement including, where relevant, trade union representatives.

In developing successful worker representative systems it is also our experience that adequate training and support for both worker representatives and managers is crucial. Worker representatives in particular need training in understanding company finance and business decision making, and how to act as a representative. This latter point is often overlooked but, given that many employee representatives will have limited experience of working on committees or working in a collaborative meeting environment, support in developing the softer skills they will need to contribute confidently and constructively is essential.

Particular attention will also need to be paid to exactly what sort of issues employees will be allowed to express a view on. In Acas’ experience employee representation works best when the representatives are allowed to express views on substantive issues such as financial performance, strategic plans, change management and HR policies and are not confined to minor day to day issues.

In the Green Paper you ask for examples. One example of a specific approach is that developed in the agreement Royal Mail have reached with the CWU union on employee involvement at a strategic level. As part of its agenda for growth, stability and long-term success the company and union agreed a number of new ways of working including arrangements for representatives of the CWU to have the opportunity to address the main Board on key business and Union initiatives on request. This is a modification of the idea of a regular worker representative on the board but does offer an opportunity for employees to communicate directly with board members rather than through a representative.

You also pose the question in the Green Paper about how reform should be taken forward and whether this might be through a legislative, code-based or voluntary approach. There are understandable advantages to taking a legislative approach to change, however, we appreciate that this option may not be universally popular. A purely voluntary approach runs the risk that any reforms will not be widely adopted. On the other hand we have found that, in other spheres of the employment relationship, an approach based on a statutory code can have significant influence on individual and organisational behaviour. This has been the case in relation to our Code of Practice on Discipline and Grievance handling in the workplace. Since this Acas Code was introduced in the late 1970s procedures for handling discipline and employee grievances have become widespread in British workplaces and the most recent edition of the Code has led to a growing adherence to the three key principles for handling disciplinary and grievance problems set out in the code.

If it is decided to go down the Code route the Financial Reporting Council’s Code of Practice would have an important role to play in strengthening employee voice at board level. It is already a well-established and respected source of guidance and has the advantage of carrying statutory weight. It may be that this can usefully be supported by more detailed information on what good practice might look like.
Although Acas’ primary interest in the government’s proposals for corporate governance reform centre on those related to employee voice we also note with interest the proposals on executive pay. From our experience, pay systems which are fair and which feel fair are an important factor in good employment relations. Workplace collective disputes handled by Acas frequently involve concern over the relative level of executive pay compared to that in the rest of an organisation and it is therefore timely that the government have decided to address the issue.

We hope that the views set out in this response will be of assistance to the government in its deliberations and we would be very happy to discuss further as the various ideas set out in the Green Paper are taken forward.