

# No Depreciation Without Representation

by Adrian Philipps

In the shell-shock of post-Brexit vote political chaos, the proposal by Theresa May that worker representatives be placed on the boards of British companies attracted relatively little comment for a move that by past measures represents a radically new policy for the Conservative Party. Worse, it smacks of the sinister world of EU social legislation, which we thought that we would all be able to escape from now.

Predictably enough then, what comment that there has been has been unfavourable. Should investors now be terrified? They will certainly have plenty of time to make up their minds about this though, as it is unlikely that anything will actually happen until after the next election.



At one level the idea can be tagged as a last hurrah for Europhilia. Britain is one of “only” ten countries in the EU not to have legislation governing employee participation in corporate governance. Ten is, of course, still a significant number and when the stone is actually lifted to examine the crawling insects, the picture is even more innocuous. For the most part, representation is limited to one or two members of the board and, often enough, we see that only state owned companies feature at all. In practice, the one country in the non-Marxist-Leninist world where worker representation is practiced with rigorous and legally enforced seriousness is Germany, with its system of co-determination.

Adrian Philipps’s book on the abdication crisis of 1936 *The King Who Had To Go* was released (see <https://www.bitebackpublishing.com/books/the-king-who-had-to-go> ) on 13th October

The *Financial Times* was first out of the traps to present its readers with the ill-effects of German co-determination. Conveniently, the fortieth anniversary of the law being passed had just been celebrated with appropriate medium-scale lavishness. The FT has, of course, long been an enemy of the German corporate and economic model as the antithesis of the growth-driven, efficient market world in which it finds its ideal. The system was blamed for stifling innovation, albeit with a conspicuous lack of hard examples. Younger workers, ah, them, apparently prefer share ownership.

Inevitably, the great bogey of Volkswagen was trotted out as the emblem of all that is wrong with co-determination. It is an easy target given the numerous oddities in its governance, but these are due to far more than the fact that worker representative smake up half of the supervisory board. Volkswagen was privatized in 1960 with a special law all to itself, which gave the Federal State of Lower Saxony a role in the company’s management. VW’s main assembly plant is at Wolfsburg in that state and protecting employment there is a major political consideration. Parallel to this, the Piëch family has shown remarkable ability to trade off one set of interests against the others, so that at its nadir the company was an “autocracy tempered by codetermination”. This culminated in a board seat for Ferdinand Piëch’s wife, whose chief, if not sole, qualification was in child-care.

None of these shenanigans held VW back from a programme of aggressive international growth, involving the investment in new manufacturing plants around the world, supposedly the kind of thing that worker-representation sabotages. VW now vies with Toyota as the

world leader of the industry. The emissions scandal cannot be blamed on the worker directors.

In the twenty years that the author spent researching German companies he came across no single instance of management complaining about co-determination, although he encountered many complaints about union bargaining power. The system is tempered by the presence amongst the worker representatives of a “managing worker” and it is usually possible to arrange another tame one.

The British left has also been quite muted about the idea. Mrs. May has quite accurately been accused of stealing Labour’s clothes, albeit not in these terms. Here the German model suggests that she might simply be applying a bit of shrewd calculation. There is nothing like the deference attached to a board seat to draw the fangs of a trade unionist. With the political leadership of the Labour Party firmly in the hands of the radical left, a quieter and more predictable life must have its appeal.

It is not as though labour representation would hobble a system in which non-executive directors have done public shareholders in quoted companies much good. The present regime of “safe pairs of hands” and all-round placemen has little to recommend it.

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