

Shouting, but barely heard



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In the fourth article in our series looking at the pandemic's broader implications for society, Will Pomroy examines worker representation and labour rights.

Fast reading

- Many frontline workers lack a voice and have been disproportionately impacted by the pandemic
- Where workers acted collectively, they were more able to secure enhanced safety measures
- The channels for employee engagement need to be agile enough to respond effectively to changing circumstances

What a year for frontline workers! Cheered from the doorsteps of UK homes and thanked by email and Zoom call by distant management. Yet many thousands of lives have been lost as frontline workers have put their health at risk on a daily basis through the pandemic.

It is an employer's legal duty to implement the necessary health and safety measures to protect their workforce from illness and injury – and Covid-19 safety measures are no exception. Yet many frontline workers lack a voice and have been disproportionately impacted by the pandemic.

While providing the "essential" services we rely on, too many of these employees have been forced to work without protective gear. Others lacked access to paid sick leave or lost their jobs for speaking up about health and safety concerns. Where workers were able to act collectively, including through their union, they were more able to secure enhanced safety measures, additional premium pay, and paid sick leave.

Analysis has shown a clear correlation between income levels and risk vis-a-vis Covid. The UK's House of Commons library research concluded that occupations with high levels of Covid-19 deaths have lower rates of pay. Similarly, analysis from the UK's Office of National Statistics (ONS) and the New York Times demonstrated the link between exposure to disease and physical proximity to others across all occupations – including construction, factory workers, process plants, care, hospitality and the service sector.

Unionisation

In this context, it is no surprise that trade unions are returning to the fore given the benefits associated with collective representation. In the United States, President Biden has set up a taskforce with the intention of boosting union membership. In parallel, this year's voting season saw a number of shareholder proposals on the topic of employee board representation – including at Starbucks and Citigroup, as well as smaller companies such as WD40 and Woodward. However, workers at Amazon's Bessemer, Alabama warehouse comprehensively voted against efforts by the Retail, Wholesale and Department Store Union (RWDSU) to unionise.

In the UK, companies have been encouraged to adopt mechanisms and structures to give employees a voice within their governance arrangements. New principles and provisions were adopted into the Corporate Governance Code in 2018. But since then only one company has appointed a worker director, adding to the four FTSE 350 firms with worker directors that pre-date the changes to the Code. Many FTSE 350 annual reports appear to downplay the importance of workforce engagement, in many cases relegating it to boilerplate language in a formulaic table of stakeholders.

This aside, in both the US and the UK, 2020 was the first year in decades that the rate of unionisation increased.

- An Economic Policy Institute report found the rate of unionisation – the share of workers represented by a union – rose to 12.1% in the US from 11.6%. This was attributed to the power that workers derived from being part of a union, potentially resulting in unionised workers having more say in how their workplaces functioned during the pandemic.
- In the UK union membership was up 118,000 in 2020 to 6.6 million. Membership has grown in the retail sector due to consistent engagement with employers by unions. Even in the gig economy, Uber UK has formally recognising the GMB union.

Anecdotal feedback from discussions with companies and others this past year reaffirms a view that trade unions and employers, working together, can make a significant difference in creating safe working environments. Collaboration between workers and management can ensure that the effects of an outbreak are minimised, that the workforce is educated and informed on how to limit transmission, and protected and equipped appropriately.

Collective bargaining and consultation with trade unions can complement board-level employee voice – a common governance feature in many European jurisdictions – but the two channels remain distinct and neither should be used as cover for lack of the other. Putting in place or developing workforce engagement mechanisms, generating a feedback loop, and seeing the overall results takes time. Most good firms do not rely solely on a single channel of engagement but have at least two or three.

Elevating the employee voice

Paying attention to the employee voice is in any company's interest. In today's social media-driven world, if people are not given the channels to air their views internally, they will find alternative external channels. These may be less constructive and potentially damaging to the company's reputation. It is desirable to make employees feel like stakeholders in an organisation, rather than cogs in a machine.

As the [UK's Financial Reporting Council](#) recently acknowledged in its review of workforce engagement, a "company's directors can have much to learn from its workforce, which can contribute to setting strategy, governance and long-term success". Their energies should be focused on the substance of workforce engagement, not the process. Initiatives should be developed not merely to tick a box but as a means to fully embed the voices and concerns of workers in boardroom and management deliberations. The mechanisms and channels for employee engagement, whether these are formal, through collective representation, or more informal, need to be agile enough to respond effectively to rapidly changing circumstances.

Minority groups are often underrepresented, which can cause a skew in the views heard by management teams and boards. Different voice channels therefore need to be well integrated, so depth of coverage is also crucial. This means ensuring that unions, employee groups, worker directors, NEDs and advisory panels are all aligned with each other as well as with staff surveys and other traditional HR and engagement practices.

Finally, a meaningful dialogue with the workforce requires an effective feedback loop, whereby employees are properly informed about the context of relevant issues in a timely fashion. Critically, the results of that employee voice must be communicated back to the workforce in a clear and consistent manner.

Questions for companies

- What mechanisms have you established to engage with your workers on the ground and how have these evolved over the past 12-18 months?
- How have you ensured that there are effective channels to gather people's concerns and complaints, and how do you monitor whether these channels are being used effectively? For example, are you confident that frontline workers' concerns are adequately and accurately heard and discussed by the board?
- How do you empower your frontline workers to ensure that they are confident of speaking up and what board level oversight is there of your critical employee issues?



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Will joined the international business of Federated Hermes in 2015 and, in addition to overseeing and leading the engagement programme for the SDG Engagement Equity strategy, provides ESG analysis for, and engagement with, stocks in the firm's small- and mid-cap strategies. He also promotes and supports the planning, execution and reporting of engagement and impact for our Sustainable and Impact equity strategies. Will has a decade of experience in the responsible investment space having, among his previous roles, led the stewardship and corporate governance activity of the UK's National Association of Pension Funds (now known as the Pensions and Lifetime Savings Association). Prior to entering the world of responsible investment, Will worked as a senior parliamentary researcher in the UK Parliament. He chairs the Corporate Governance Expert Group of the Quoted Companies Alliance, is a member of the Corporate Governance Committee of the Institute of Chartered Accountants in England and Wales, and is a member of PRI SDG Advisory Committee. Will holds an MSc in Public Policy and Management from Birkbeck College at the University of London and a BSc (Hons) in Forensic Science from the University of West of England. He also holds the Investment Management Certificate and the Certificate in ESG Investing, both from the CFA UK.

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