Unions using activism for influence

Australia’s trade unions are engaging in shareholder activism in order to pursue industrial relations issues after a reduction in their power from recent changes to labour laws, a new report claims.

The report by the University of Melbourne’s Centre for Corporate Law and Securities Regulation predicts that the result of this trend could be more resolutions at shareholder meetings brought forward jointly by unions and superannuation funds.

Unions traditionally enjoyed a prominent role within the Australian workplace through the labour law regulatory framework, but their power and influence has declined in recent years. This trend started with the Workplace Relations Act 1996 and gained new impetus with the WorkChoices legislation in 2005, the report says.

As a result, the union movement is starting to focus on using the Corporations Act to influence the conduct and management of companies.

Authors of the report, Professor Ian Ramsay and Kirsten Anderson, argue unions are using shareholder activism to put pressure on company directors and also as a means of opening a direct dialogue with directors and senior management, typically in the context of failed or stalled enterprise bargaining negotiations between the company and a union.

Ramsay and Anderson claim unions are focusing on a broad range of issues in order to obtain support from other shareholders. These include traditional corporate governance issues such as the independence of directors and perceived excessive remuneration.

As superannuation funds have similar concerns, this is creating opportunities for the two groups to work together to bring more resolutions to shareholder meetings, as is happening in the United States.

According to the research report, in 2004 union-sponsored pension funds in the US submitted 43% of all shareholder initiated resolutions dealing with corporate governance at the meetings of US listed companies.