Unions stalking the AGMs

They might be losing clout on the shop floor, but unions are now flexing their muscles in the boardroom. Karina Barrymore reports

UNION members have begun a major push for corporate control, not through industrial action but through shareholder activism.

Unions are rapidly infiltrating listed company boardrooms as they use new found power as shareholders to push employee interests.

And according to a new study by the University of Melbourne, From the Picketline to the Boardroom, their influence is gaining ground and might force major changes in boardroom behaviour during 2006.

During the past few years unions have launched shareholder campaigns against some of our biggest listed companies, including Commonwealth Bank, Qantas, Rio Tinto, James Hardie and NRMA.

However, at least one big corporation and the Federal Government appear to be fighting back with a legal challenge and a proposed law change.

Spurred on by an erosion of their influence within Australian workplaces, through new labour and industrial relations laws, unions are turning their attention to shareholder might.

The close relationship between major institutional shareholders, such as industry superannuation funds, and the union movement is also expected to bolster their boardroom influence in the year ahead.

“IT think they will collaborate on some issues, but I think the industry funds are cautious at the moment because they don’t want to be seen to be simply advocating industrial issues,” said the report’s co-author, University of Melbourne professor Ian Ramsay.

“However, the unions can put forward that they are in a very special position within a company to monitor management much more closely than the big institutional shareholders who are removed from the company.

“Industry super funds could draw on this special knowledge to identify governance issues where they could easily support union-shareholder activism,” Professor Ramsay said.

The most common method of activism by union-shareholders has been the use of the 100-member rule. This allows any group of 100 shareholders to call an extraordinary general meeting and put a resolution at an annual general meeting.

To date no union resolutions have been passed, and the only attempt to call an extraordinary meeting was withdrawn after the company, NRMA, agreed to union demands about an underlying industrial issue.

According to the research, which was undertaken by the Centre for Corporate Law and Securities Regulation at the University of Melbourne, shareholder-union campaigns — with the exception of James Hardie — have centred on industrial disputes. This might be why they have not been widely supported, he said.

In future, however, unions are expected to obtain the support of other shareholders by broadening their interests to corporate governance, independence of directors and executive salaries, Professor Ramsay said.

Although some shareholders are already taking notice. At the Rio Tinto annual meeting in 2000, 20 per cent of all shareholders voted in favour of the union resolution about the appointment of independent directors.

Other activity by union-shareholders include lobbying for proxy votes and posing questions to the board at shareholder meetings which highlight employee issues.

In Melbourne last week the Finance Sector Union raised an industrial relations issue at Westpac’s annual meeting.

However, earlier this year Commonwealth Bank launched legal action against the finance union over a shareholder campaign which it alleged was illegal industrial action. The court decision is expected next year.

The Federal Government also appears to be stepping up action to deter some campaigns by flagging it intends to change the 100 member rule to abolish the ability to call an extraordinary meeting. The 100 member rule to put a resolution will remain.

Other recent shareholder activism by union members includes: ACTU campaign at James Hardie 2004 AGM; AUSTRALIAN Manufacturing Workers Union campaign to call EGM at NRMA; CFME campaign at Rio Tinto 2000 AGM; TRANSPORT Workers Union campaign at Boral 2003 AGM; FINANCE Sector Union campaign to have board member appointed to ANZ; FINANCE Sector Union campaign at Commonwealth Bank 2004 AGM; AUSTRALIAN Service Union campaign at Qantas 2004 AGM.
Getting involved: demonstrators, including the CFMEU, have a say about James Hardie last year