Unions warm to shareholder activism

Fiona Buffini and Mark Skulley

Trade unions plan to make greater use of shareholder activism after the federal government’s sweeping changes to workplace laws, a study has found.

Union leaders interviewed for the study said they expected to take issues to shareholders as their role under labour laws diminished, the co-author and director of the Centre for Corporate Law at the University of Melbourne, Ian Ramsay, said.

While unions have yet to win a resolution, at an annual general meeting, they have gained wide support for some motions, attracting 20 per cent of votes cast on the appointment of directors at Rio Tinto in 2000.

The Construction Forestry Mining and Energy Union credited that shareholder campaign with improving relations with the company, which negotiated collective agreements with unionised workplaces six months later.

"With the shareholder campaign, top management in London had to get involved in dealing with the issue," CFMEU campaigner John Colley said.

"And that was a major issue for them. They didn’t want to have their time taken up by union activity. So that was a significant reason why they shifted."

Since 2000, unions have also run campaigns at the annual meetings of Boral, ANZ, Commonwealth Bank, BlueScope, Qantas and James Hardie.

The study says a key question is whether unions would link with industry superannuation funds to bring more resolutions to shareholders, as was common in the US.

American unions have become the most aggressive of all institutional shareholders since their power declined after a wave of corporate takeovers and massive job losses in the 1980s.

Professor Ramsay said Australian unions "have been cautious so far and the statistics bear that out". The recent campaign against News Corp shifting its place of incorporation was driven by funds rather than by unions.

The outcome of legal action taken by Commonwealth Bank — which alleges a Finance Sector Union campaign sought to coerce the bank to agree to a new enterprise agreement — would be influential.

"I have no doubt that will be an important decision, whatever way it goes," Professor Ramsay said.

The study predicts unions will be more successful at influencing corporate practices when they can align their interests with investors.

"As a governance adviser to large superannuation funds, we are both united and divided with union shareholder activism," said Erik Mather of BT Governance Advisory.

"We’re united as we look at governance risks broadly... environmental, social and corporate governance risk.

"We’re divided, however, in our client mandate as our focus is on constructive dialogue directly with the companies and outside the AGM."

The report says unions in Britain have also begun to mobilise pension funds, initiating shareholder campaigns focused on executive pay.

**KEY POINTS**

- The CFMEU has shown with Rio Tinto that unions can win support for motions put to AGMs.
- Action taken by CBA against the FSU will be an important test case.
- American and British unions are aggressive shareholder activists.

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**STRIKING A POSE**

**Union activism at annual meetings**

- 2000 Construction Forestry Mining and Energy Union at Rio Tinto on corporate governance and labour standards
- 2003 Transport Workers Union at Boral over conditions for owner-drivers
- 2003 Finance Sector Union at ANZ tries to have a member elected to the board
- 2004 FSU at Commonwealth Bank tries to get an external audit of restructure plan
- 2004 Australian Workers Union at BlueScope Steel on corporate governance and executive pay
- 2004 Australian Services Union at Qantas against executive and director pay rises
- 2004 ACTU at James Hardie on asbestos compensation
- 2004 Australian Manufacturing Workers Union campaigns for extraordinary meeting of NRMA over working conditions for patrolmen.

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Source: University of Melbourne