

What drives sustainability in companies? Examining the influence of board level employee representation on responsible practices in large European companies

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Abstract

Corporate governance systems vary quite considerably across and even within countries with respect to the degree of influence different actors exercise over company policies. There is no agreement in the literature on which type of actor is likely to be ‘particularistic’, that is, to reduce the welfare of other stakeholders when pursuing their own interests, versus ‘universalistic’, in the sense of improving welfare when exercising power. The ‘property rights’ perspective sees shareholders and especially institutional (minority) investors as universalistic, and managers and employees as particularistic. The ‘stakeholder’ perspective in contrast sees shareholders as particularistic as opposed to stakeholders such as workers that have a longer-term interest in the sustainability of their company. Based on a sample of large European companies (STOXX 600), the influence of four actors – board level employee representatives (BLER), employee shareholders, executive shareholders and institutional investors – in corporate governance is measured. Using data compiled by the ratings firm Vigeo Eiris on sustainability policies and practices across six domains as a proxy for the welfare of six stakeholder groups, this paper shows that BLER are the most universalistic of the four actors; greater influence for has a positive and significant association with better sustainability practices across the board, including not only human resources practices, but also human rights, environmental, business behaviour and corporate governance domains. Employee shareholders and institutional investors also have a universalistic tendency, although their positive effects are weaker or less frequently significant than BLER. Managers are the most particularistic of the four groups.

Keywords: worker participation, corporate governance, CSR, sustainability

1. Introduction

What drives companies to be ‘universalistic’, in the sense of improving the welfare of a broad range of stakeholders, as opposed to being ‘particularistic’, meaning welfare-decreasing for other stakeholders, when pursuing their own interests? Very different views exist in the literature on corporate governance regarding which actors are most likely to pursue ‘particularistic’ interests – to the detriment of the welfare of other stakeholders – as opposed to ‘universalistic’ – that is positive outcomes for a broad range of stakeholders – when they have power in corporate governance. The predominant view – the ‘property rights’ perspective -- sees shareholders as the most universalistic of the different actors (Jensen and Meckling 1976, Jensen and Meckling 1979). According to this view, share price is the best measure of the future value of the firm and the welfare of stakeholders connected to the firm. As shareholders have a direct interest in a higher share price, they will use their power in corporate governance to support policies which increase shareholder value, and thus the welfare of other stakeholders. Managers and employees in contrast are viewed critically by this perspective, and it is claimed that the welfare of other stakeholders will be harmed when they use their power to further their particularistic interests. Managers have an interest in spending money on things that may detract from shareholder value (e.g. spending money on private benefits such as corporate jets, or ‘empire building’). The ‘solution’ proposed by the property rights perspective is to pay managers in stock options, thereby ‘aligning the interests’ of managers to shareholders through a direct financial incentive to increase share value. Similarly, the property rights perspective expects that workers will pursue their particularistic interests if they are given power in corporate governance, specifically by increasing their own wages and staffing levels beyond optimal levels, thus harming share price (Jensen and Meckling 1979, Gorton and Schmid 2004). The ‘solution’ proposed by the property rights paradigm here is to keep workers out of company boards and to ‘turn them into capitalists’ by giving them shares in the firm.

The stakeholder perspective in contrast sees shareholders as being a ‘particularistic interest’ (Vitols and Kluge 2011). This applies in particular to institutional investors, such as mutual funds and insurance companies, who hold small percentages of stock in a large number of companies. These investors on average have a short holding period for shares, as they chase short-term profits (Jackson and Petraki 2011). Due to this short-term orientation, institutional investors prefer that companies pay out cash in the form of higher dividends or share buybacks, rather than reinvesting these funds in the company for long-term sustainability and the welfare of stakeholders relying on the firm (Lazonick 2014). The stakeholder perspective thus sees greater power for institutional investors in corporate governance as welfare-decreasing for a broad range of stakeholder groups. Employees, in contrast, have an interest in the long-term sustainability of companies, as their jobs depend on the survival and success of the firm. Thus, mechanisms such as BLER, which reduce the influence of institutional investors on corporate governance and increase the influence of workers, should be welfare-enhancing for a broad range of stakeholders (Vitols and Kluge 2011).

This paper reports on research designed to test these alternative views. Based on data on companies that belonged to the STOXX 600 (index of the largest 600 listed companies in Western Europe) between 2014-2018, the strength of four different actors in corporate governance – institutional investors, managers, board level employee representatives (BLER), and employee shareholders (the last two groups overlap but are not identical) – is measured. I then look at the influence these four groups have on six different ‘sustainability’ domains, which measure the policies, processes and impact companies have on six different stakeholder groups. An actor will be described as ‘universalistic’ if greater power by this actor is associated with higher scores across a range of sustainability domains, i.e. greater welfare for a range of stakeholders. An actor will be described as ‘particularistic’ if more influence is associated with higher scores in one domain and/or lower scores in a number of domains. The conclusion reached here is that BLER are the most universalistic of the actors examined here, whereas managers are the most particularistic. Institutional investors and employee shareholders are ‘weakly universalistic’, since greater influence of these two groups is generally positive but not as powerful or as frequently significant as the impact of BLER.

2. Hypotheses

Based on the property rights and stakeholder approaches outlined above, two hypotheses can be derived with respect to the influence of institutional investors. The property rights perspective expects this influence to be positive, as institutional investors have an interest in boosting the long-term prospects of the company through an increase in share price, which should result in an increase in welfare for a wide range of stakeholders (La Porta, Lopez-de-Silanes et al. 1999):

Hypothesis 1a: the larger the proportion of institutional investors in a company’s shareholding base, the higher the welfare of a range of stakeholders will be

The ‘stakeholding’ perspective in contrast sees institutional investors in an opposite light, arguing that these investors will try to extract resources from the company, which will reduce its ability to make long-term investments benefitting stakeholders in the company (Lazonick 2014):

Hypothesis 1b: the larger the proportion of institutional investors in the shareholding base, the lower welfare will be for a broad range of stakeholders

Regarding the role of BLER, contrasting hypotheses can also be derived from the two perspectives. The property rights perspective sees workers as pursuing particularistic interests (e.g. higher wages and higher staffing levels), to the detriment of the prospects of the firm and the welfare of other stakeholders (Furubotn 1985):

Hypothesis 2a: the greater influence of workers in corporate governance, the lower the welfare of stakeholders will be, with the exception of workers

The stakeholder perspective in contrast sees workers on the board as reducing institutional investor pressure for short-term pay outs, thus:

Hypothesis 2b: the greater influence of BLER in corporate governance, the higher the welfare will be for a range of stakeholders, not just for workers

Regarding the influence of managers, the ‘property rights’ is rather critical, expecting that managers will pursue particularistic interests, to the detriment of shareholder value and the welfare of a range of stakeholders. The ‘property rights’ perspective prefers giving managers stock options rather than shares, since stock options give managers a financial interest in increasing share price, but no voting power in corporate governance:

Hypothesis 3: the greater influence of managers in corporate governance, the lower the welfare of a range of stakeholders will be

The ‘stakeholder’ perspective has no clear hypothesis with regard to the influence of managers.

With regard to employees as shareholders, the property rights perspective has a positive view of this instrument, as it turns ‘employees into capitalists’, orienting their interests to the interests of shareholders (Conte and Svejnar 1990):

Hypothesis 4: the greater the level of employee shareholding, the higher the welfare of a range of stakeholders will be

The ‘stakeholder’ perspective has no clear hypothesis in this regard, as it has an ambiguous view of employee shareholding, depending in large part on the design of employee shareholding plans – whether such plans substitute for wage income, whether employees gain individual or collective voting rights, etc. (Pendleton 2019).

3. Data, Variables and Methods

Data for this research was obtained from a number of sources. Data on the corporate governance influence of three of the four actors examined – BLER, employee shareholders and managers – was gathered from the European Federation Employee database. This database includes data on ownership and corporate governance in all listed European companies with a market capitalization of at least €200 million, which numbered between 2200 and 2400 in the years of interest. Originally focusing on employee share ownership schemes, including broad-based schemes for ‘ordinary employees’ and schemes targeted at executives, EFES started in 2012 to gather information on corporate governance aspects, including the type of board structure (single-tier or two-tier), number of board members and the number of worker representatives (either voting or with observer status). Three variables were extracted from this dataset:

- **BLER** – the percent of voting members in the highest decision-making body of a company (supervisory board of a two-tier board company, company board in a single-tier board company) accounted for by persons elected or nominated by workers or worker representatives
- **EMPSHARE** – the percentage of common (i.e. voting) stock in a company accounted for by employee shareholders
- **EXECSHARE** – the percentage of common (i.e. voting) stock in a company accounted for by top managers

A second data source is S&P Capital IQ, an online database which provides financial and other data on over 62,000 listed companies worldwide. This database provided information on the shareholding base, company characteristics and financial variables used in the analysis:

- **FREEFLOAT** – the percentage of a company's shares accounted for by so-called minority shareholders (i.e. shareholders with less than five percent of total shares). This is taken as a proxy for the influence of institutional investors, as this type of investor rarely holds more than five percent of a company's shares.

In addition to FREEFLOAT, the following control variables were also extracted from Capital IQ and included in the analysis, as theory would also expect that these variables might have an influence on company performance.

- **SIZE** – the logarithm of a company's annual revenues in millions of Euros. Company CSR/Sustainability policies are often found to correlated positively with company size. The explanation is that larger companies have more visibility and will thus face greater pressure from customers and the general public to have positive policies towards stakeholders
- **LEVERAGE** – the percentage of a company's capital (i.e. equity plus debt) accounted for by debt. The expectation here is that companies with a high level of debt will be more financially constrained, thus will be less able to invest in stakeholder relationships
- **AGE** – the logarithm of a company's age in years is included, since the current stage in the company's lifecycle may influence its ability to invest, including in stakeholder relationships
- **ROA** – the company's profitability (return on assets, i.e. net income during one year divided by total assets at the beginning of the year) is included, since a company's profitability may influence its ability to invest in stakeholder relationships
- **Country dummies** – a series of seventeen dummy variables were included for the eighteen countries in which companies had their headquarters (Great Britain is the reference country)(see Table 1 for a distribution of the sample by country). Company-specific laws and practices can be expected to influence company policies and behaviour

A third data source is the database compiled by Vigeo Eiris, a sustainability ratings firm which currently analyses and rates over 4,000 companies worldwide, including almost all of the STOXX Europe 600 companies. Evaluations are updated approximately every two years. Companies receive scores of between 0 and 100 in six ‘domains of analysis’:

- **Human resources** – this domain score is taken to be a proxy for the welfare of employees, as it measures policies, implementation mechanisms and outcomes most directly relevant to employees (responsible working hours, health and safety, remuneration systems, career development, responsible re-organization and social dialogue)
- **Environment** – this domain score is taken as a proxy for a company’s environmental impact (specific items include environmental strategy, pollution prevention, green products and services, biodiversity, and water and energy usage)
- **Human rights** – this score is taken to be a proxy for the company’s impact on persons in developing countries (specific items include forced and child labour, and fundamental and human rights)
- **Business behaviour** – this score is treated as a proxy for customer welfare (specific items include product safety, information to customers, responsible customer relations, as well as supply chain management, corruption and lobbying)
- **Community involvement** – this score is a proxy for the welfare of the community/communities in which a company is located. This includes a measure of corporate philanthropy, but also of local social and economic development and of the social impact of products and services
- **Corporate governance** – this score is taken as a proxy for the welfare of institutional investors. Specific items include the rights of shareholders, the characteristics of executive remuneration, the presence of audit and internal controls, and the rights of the board of directors
- **Industry dummies** – finally, a series of 36 dummy variables for 37 industry sectors are included, since industry characteristics can have a major influence on a company’s policies and behaviour. Furthermore, Vigeo Eiris uses a weighting scheme for different sustainability variables which varies across these 37 sectors, according to the varying relevance of topics across sectors, thus it is important to control for this

The initial universe of companies included in the analysis is all of the companies included in the STOXX600 (index of 600 largest listed companies in Western Europe) on 31 December in each of the years 2014-2018, i.e. 3000 company-years. Given that companies are evaluated roughly every two years, and financial and structural data is not available on all companies for each year, the final sample includes 578 firms with an average of slightly more than two observations per firm, for a total of 1263 observations included in the analysis.

Panel analysis using random effects multivariate regression with robust standard errors was the analysis technique chosen. The panel approach captures firm-specific impacts, while random effects is chosen over fixed-effects as more appropriate to this type of analysis (little

variation at the firm level over time in many of the causal levels, and an interest in explaining levels of dependent variables rather than changes) (Richter and Schrader 2017). Independent variables are lagged by one year (i.e. taken from the years 2013-2017) as a measure taken to deal with the problem of causality.

Descriptive statistics on the variables of interest are shown in Table 3. Correlation coefficients are shown in Table 4.

[Tables 3 and 4 about here]

4. Results

The results of the regressions are shown in Table 5. The coefficients for BLER are all positive and five of the six coefficients are highly significant (all at the .01 level). The effect of BLER is quite significant. Given that parity codetermination has a BLER score of 0.5, parity codetermination is associated, for example, with an eight point higher score ($16.61 * 0.5$) for Human Resources than for a company with no workers in the board (see Table 6). BLER appears to make the biggest difference in environmental policy, where the difference in the Environment score between companies with parity co-determination and no co-determination is ten points ($20.72 * 0.5$). The only coefficient which is not positive is Community. Interestingly enough, codetermination is also positively related to the score for Corporate Governance (which is supposed to measure how “shareholder-friendly” a company is run). Thus, Hypothesis 2b (the stakeholder view) receives strong support and Hypothesis 2a is rejected.

[Tables 5 and 6 around here]

Regarding the role of institutional investors, all of the coefficients for the variable measuring the importance of institutional investors (FREEFLOAT) are positive; however, only four of the six (Environment, Business Behaviour and Corporate Governance) are significant. Corporate governance has the largest coefficient, which is not surprising given that we expect institutional investors to push for ‘shareholder friendly’ policies at companies. Positive scores for Human Resources, Environment and Business Behaviour are consistent with the view that institutional investors are concerned with ‘reputational risks’ in these two areas (and thus the danger that share price will collapse in the wake of scandals in these areas) and will use their influence to push for better policies in these areas. However, it should be noted that, with the exception of Corporate Governance, the size of effect is considerably smaller in comparison with the influence of BLER (see Table 6). For example, in the area of Environment, a company with 100% free float is estimated to have a score 6.9 points higher than a company with no institutional investors. For Corporate Governance, the difference between 0 and 100% free float is 10.7 points (for comparison, the difference between parity and no codetermination in this domain is 7.3 points). Therefore, we must reject the ‘stakeholder’ Hypothesis 1b that a higher proportion of institutional investors will be associated with lower scores on a range of sustainability domains. However, we are only partially able to accept the ‘property rights’

mirror-image Hypothesis 1a, as the positive relationship between the percentage of institutional investors and sustainability policies appears to be considerably weaker than the effect of BLER and coefficients were not significant in two cases (Human Rights and Community).

With regard to the role of managers, coefficients across all six policy domains are negative and in two cases are significantly negative (Human Rights at the .01 level, Business Behaviour at the .05 level). Thus the ‘particularistic manager’ Hypothesis 3 of the ‘property rights’ perspective is accepted.

With regard to employee shareholders, coefficients are positive in all six policy domains and significant in five domains (specifically with the exception of Corporate Governance). However, the impact on domain scores is smaller than BLER, with the exception of Community. Nevertheless the ‘property rights’ Hypothesis 4 will be accepted, though it should be noted that BLER appears to be a much stronger mechanism than employee shareholding for improving stakeholder welfare across a range of policy domains.

As a final note, it should be added that company profitability is only significantly and positively associated with one of the policy domains (Human Resources), thus it does not appear that company profitability is the constraint on implementing sustainability policies that some would argue. Furthermore, company size is positively and significantly associated with all six of the policy domains, indicating that public visibility/pressure may also be a key driving force for stakeholder welfare, as some studies have hypothesized. Interestingly, the effect of size is smallest (coefficient is smallest) in the case of Corporate Governance – not surprising since we might expect the general public to be more interested in areas other than Corporate Governance.

5. Conclusion

This paper has presented results of research designed to test how ‘particularistic’ or ‘universalistic’ different actors in corporate governance are with regard to stakeholder welfare. Four different actors were analysed – institutional investors, managers, board level employee representatives (BLER) and employee shareholders. Hypotheses were derived from two different theoretical perspectives – the ‘property rights’ perspective and the ‘stakeholder’ perspective. Whereas the ‘property rights’ perspective sees institutional investors as the most ‘universalistic’ and sees managers and employees as ‘particularistic’ (i.e. ‘greedy’), the stakeholder perspective sees institutional investors as ‘particularistic’, and actors that block the influence of institutional investors as (directly or indirectly) ‘universalistic’.

These hypotheses were tested with data rating the sustainability of companies in six different policy domains – Human Resources, Environment, Human Rights, Business Behaviour, Community and Corporate Governance – which are taken as proxies for the welfare of six different stakeholder groups – employees, ‘the environment’, citizens in developing countries,

consumers, community and shareholders. Multiple regression analysis was used to identify whether the strength of these different actors in corporate governance is positively or negatively associated with sustainability scores in the six policy domains (and thus positively or negatively associated with the welfare of these six stakeholder groups). The sample of companies examined is the STOXX 600 (600 largest Western European listed companies) between 2014-2018.

The strongest result is that BLER is positively and significantly associated with a higher degree of welfare for five of the six policy domains – in line with the expectations of stakeholder theory and contradicting the expectations of the property rights perspective. Employee shareholding in contrast appears to be only a weak instrument for improving welfare in some areas. Managerial power in contrast appears to be negatively related with welfare for a broad range of stakeholders – in line with the expectations of the ‘property rights’ perspective. Institutional investor influence is less strongly associated with positive welfare in selected areas – i.e. the stakeholder hypothesis of ‘greedy shareholders’ is not confirmed, but the ‘property rights’ view of the ‘universalistic’ shareholder is only partially supported. Finally, the analysis shows that profitability is not the constraint on sustainability policies that some argue, and ‘the public’ also appears to be an influencing actor, as indicated by the significant positive relationship between company size and all six policy domains.

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Table 1: Country distribution of the sample

Country	Company-years	Percent
AT	14	1.1
BE	28	2.2
CH	107	8.5
CZ	4	0.3
DE	153	12.1
DK	48	3.8
ES	58	4.6
FI	39	3.1
FR	188	14.9
GB	361	28.6
GR	4	0.3
IE	19	1.5
IT	67	5.3
LU	7	0.6
NL	54	4.3
NO	30	2.4
PT	7	0.6
SE	75	5.9
Total	1263	100.0

Table 2: Industry distribution of sample

Sector	Company-years	Percent
Aerospace	35	2.8
Automobiles	42	3.3
Beverage	19	1.5
Broadcasting & Advertising	27	2.1
Building Materials	13	1.0
Business Support Services	45	3.6
Chemicals	65	5.2
Diversified Banks	78	6.2
Electric & Gas Utilities	39	3.1
Electric Components & Equipment	23	1.8
Energy	23	1.8
Financial Services - General	29	2.3
Financial Services - Real Estate	42	3.3
Food	47	3.7
Forest Products & Paper	17	1.4
Health Care Equipment & Services	40	3.2
Heavy Construction	17	1.4
Home Construction	14	1.1
Hotel, Leisure Goods & Services	30	2.4
Industrial Goods & Services	34	2.7
Insurance	63	5.0
Luxury Goods & Cosmetics	38	3.0
Mechanical Components & Equipment	36	2.9
Mining & Metals	31	2.5
Oil Equipment & Services	32	2.5
Pharmaceuticals & Biotechnology	51	4.0
Publishing	27	2.1
Retail & Specialised Banks	39	3.1
Software & IT Services	21	1.7
Specialised Retail	49	3.9
Supermarkets	25	2.0
Technology-Hardware	24	1.9
Telecommunications	63	5.0
Tobacco	7	0.6
Transport & Logistics	45	3.6
Travel & Tourism	18	1.4
Waste & Water Utilities	15	1.2
Total	1263	100.0

Table 3: Descriptive statistics

	N	Mean	St.Dev	min	p25	Median	p75	max
BLER	1263	.09	.166	0	0	0	.111	.5
EMPSHARE (linear)	1263	.016	.026	0	.003	.008	.017	.352
EMPSHARE (log)	1263	-5.494	2.624	-13.816	-5.945	-4.805	-4.055	-1.045
EXECSHARE (linear)	1263	.012	.058	0	0	.001	.002	.634
EXECSHARE (log)	1263	-7.615	2.573	-13.816	-8.857	-7.48	-6.263	-.455
FREEFLOAT	1263	77.424	22.054	7.451	62.8	84.22	97.134	100
SIZE (linear)	1263	14674.03	26844.12	.152	2117.937	5654	15410.95	328000
SIZE (log)	1263	8.668	1.4	-1.886	7.658	8.64	9.643	12.7
LEVERAGE	1263	.429	.229	0	.278	.407	.581	.98
AGE (linear)	1263	97.268	74.951	1	35	90	141	649
AGE (log)	1263	4.201	1.009	0	3.555	4.5	4.949	6.475
ROA	1263	.055	.067	-.514	.013	.045	.081	.359
HUMAN RESOURCES	1263	37.857	15.335	8	26	37	49	82
ENVIRONMENT	1263	41.37	16.346	0	30	43	54	83
HUMAN RIGHTS	1263	43.209	14.503	14	32	42	54	85
BUIS. BEHAVIOUR	1263	41.381	12.128	12	33	41	50	82
COMMUNITY	1263	36.203	16.091	4	24	35	48	81
CORP GOVERNANCE	1263	54.295	12.672	14	45	54	64	86

Table 4: Correlation coefficients

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) BLER	1.000													
(2) EMPSHARE	-0.102**	1.000												
(3) EXECSHARE	-0.272**	0.217**	1.000											
(4) FREEFLOAT	-0.124**	0.173**	0.163**	1.000										
(5) SIZE	0.179**	0.197**	-0.242**	-0.103**	1.000									
(6) LEVERAGE	0.011	0.027	-0.165**	0.066*	0.116**	1.000								
(7) AGE	0.147**	0.143**	-0.045	0.041	0.211**	0.016	1.000							
(8) ROA	-0.050	-0.017	0.163**	0.012	-0.224**	-0.396**	-0.013	1.000						
(9) HUMRES	0.141**	0.154**	-0.274**	-0.128**	0.468**	0.198**	0.100**	-0.172**	1.000					
(10) ENVIR	-0.013	0.158**	-0.209**	-0.019	0.394**	0.124**	0.109**	-0.081**	0.684**	1.000				
(11) HUMRIGHTS	0.169**	0.149**	-0.284**	-0.071*	0.481**	0.184**	0.124**	-0.152**	0.809**	0.664**	1.000			
(12) BUISBEHAV	0.076**	0.148**	-0.203**	0.022	0.392**	0.105**	0.101**	-0.139**	0.729**	0.671**	0.717**	1.000		
(13) COMMUNITY	-0.051	0.199**	-0.171**	-0.059*	0.425**	0.069*	0.085**	-0.107**	0.637**	0.654**	0.636**	0.627**	1.000	
(14) CORPGOV	-0.185**	0.192**	0.064*	0.374**	0.048	0.054	-0.002	-0.036	0.098**	0.265**	0.132**	0.266**	0.279**	1.000

* shows significance at the .05 level, ** shows significance at the .01 level

Table 5: Regression results

VARIABLES	(1) Human Resources	(2) Environment	(3) Human Rights	(4) Business Behavior	(5) Community	(6) Corporate Governance
BLER	16.61*** (3.548)	20.72*** (5.566)	13.51*** (4.206)	11.14*** (4.139)	5.899 (5.486)	14.62*** (4.499)
EMPSHARE	0.410*** (0.159)	0.378* (0.216)	0.689*** (0.176)	0.399** (0.168)	0.684*** (0.223)	0.191 (0.164)
EXECSHARE	-0.186 (0.154)	-0.279 (0.212)	-0.511*** (0.175)	-0.338** (0.136)	-0.238 (0.206)	-0.197 (0.139)
FREEFLOAT	0.0343* (0.0190)	0.0685** (0.0276)	0.0274 (0.0201)	0.0410** (0.0172)	0.00826 (0.0230)	0.107*** (0.0173)
SIZE	2.961*** (0.391)	4.201*** (0.521)	3.300*** (0.480)	2.658*** (0.393)	3.944*** (0.580)	0.902*** (0.291)
LEVERAGE	2.079 (1.948)	-1.203 (2.661)	0.831 (2.127)	0.475 (1.883)	-0.690 (2.750)	1.695 (2.044)
AGE	0.411 (0.431)	0.676 (0.517)	0.641 (0.432)	0.418 (0.380)	0.798 (0.506)	-0.0611 (0.347)
ROA	6.521* (3.513)	-0.514 (4.661)	1.695 (4.685)	-1.865 (3.571)	-0.764 (5.051)	-6.328 (5.515)
Constant	6.377 (4.661)	2.261 (5.895)	10.89** (5.167)	12.27*** (4.458)	0.655 (6.797)	50.18*** (4.016)
Observations	1,263	1,263	1,263	1,263	1,263	1,263
Number of firms	578	578	578	578	578	578
Country dummies	YES	YES	YES	YES	YES	YES
Industry dummies	YES	YES	YES	YES	YES	YES
Year dummies	YES	YES	YES	YES	YES	YES
R2 overall	0.597	0.440	0.517	0.436	0.412	0.538
Wald chi2	1510	821.3	1048	659.6	630.3	1548

Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 6: Impact of increase in influence of different actors on sustainability scores

Actor change in influence	Human Resources	Environment	Human Rights	Business Behaviour	Community	Corporate Governance
BLER (0 to 0.5, i.e. parity)	+ 8.3	+ 10.4	+ 6.8	+ 5.6	+ 2.9	+ 7.3
Employee Shareholders (0 to median)	+ 3.7	+ 3.4	+ 6.2	+ 3.6	+ 6.2	+ 1.7
Executive Shareholding (0 to median)	- 1.2	- 1.8	- 3.2	- 2.1	- 1.5	- 1.2
Institutional Investors (0 to 100% freefloat)	+ 3.4	+ 6.9	+ 2.7	+ 4.1	+ 0.8	+ 10.7

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