



Employee Representatives on Company Boards – Hostages, Renegades or Fierce Opponents?¹

■ **Inger Marie Hagen²**

PhD, Fafo Institute of Labour and Social Research, Norway

ABSTRACT

Members of company boards in Scandinavia are legally obliged to act in accordance with the interests of the company. How to interpret this obligation has been on the agenda ever since the employees were given the right to elect their own board members in the early 1970s. This article, based on data from a European survey among board-level employee representatives (BLERs), compares Swedish and Norwegian BLERs and asks whether the conflict between the company's interests and the employees' interests (still) constitutes a predicament? The analysis indicates that this alleged conflict belongs to the initial debate and that it is less relevant to the current BLERs. The differing election principles in Sweden (BLERs are appointed by the local trade unions) and Norway (BLERs are elected by all the employees in the company) do not alter this conclusion.

KEYWORDS

codetermination / trade unions / corporate governance / company interests / industrial relations

Introduction

How may employee-elected directors on company boards represent the employees while simultaneously fulfilling the legal obligation to prioritize the company's interests? This seemingly impossible commitment to both workers' and the company's interests played a prominent part in the debate prior to the introduction of the arrangement in Sweden and Norway in the 1970s. However, while the assumption that this is an ongoing concern of the board-level employee representatives (BLERs) persists, both the importance of the company board and the interpretation of 'the company's interests' have evolved. Thus, a simple question seems relevant: *does this presumption still make sense: are the BLERs stuck in a conflicting or impotent position?*

The article explores these questions by comparing Swedish and Norwegian BLERs. The two countries have important features in common both where industrial relations (IRs) and corporate governance are concerned. However, in Sweden, the trade unions at company level appoint the BLERs, while in Norway, all employees of the company are invited to participate in the election. A more conflict-ridden BLER role might be expected in Sweden than among their Norwegian counterparts.

What sorts of interests do the BLERs promote? To what extent do they exercise influence? Is influence given to the BLERs by the majority of the board if they advocate the company's interests while the employees' interests are regarded as irrelevant? How do BLERs relate to their shareholder-elected colleagues on the board and to the

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² Corresponding author: Inger Marie Hagen, Fafo. E-mail: imh@fafo.no.



management? Is influence correlated with cooperative relations with the management and the majority of the board?

These questions are explored by examining three hypotheses concerning i) the level of influence and whether influence depends on advocating certain interests, ii) the relationship between the BLERs and the managers and the shareholder-elected directors – does the level of influence depend on cooperative relations, and iii) relations and different interests – do the BLERs have to advocate certain interests in order to maintain good relations?

The analysis is based on a survey among BLERs throughout Europe. After the introductory remarks, part 2 presents the debate, which is followed by the introduction and the legal framework in Sweden and Norway. Part 3 focuses on the development since the 1970s and possible perceptions of BLERs. Part 4 presents the research questions, the data and the methods used. Part 5 presents the results and part 6 returns to the initial question: are the BLERs still in a conflicting and impotent position?

Background

The right to demand representation on the company board was introduced in Sweden in 1973 and in Norway in 1972. There have been no substantial legal changes in either country (see legal framework below). The core part of the debate took place in the 1960s and focused on how the existing system of employee participation based on collective bargaining could be combined or merged with a position where employee representatives would not only be responsible for company matters but also legally bound to advocate the company's interests.

Trade unions in both countries argued that representation at board level might involve cooptation, a hostage situation and undesirable responsibility for company matters. The BLERs would end up in a predicament: acting on behalf of the employees in a context of a shareholders' majority. [See Lundberg & Bruun (2005) on trade unions attitudes' in Sweden and Hagen (2010 and 2015) for a brief historical overview of Norway.]

In both countries, certain historical events helped turn the tables and create a new political situation. A large strike in the North of Sweden (Kiruna) in 1969–1970 triggered a demand for increased workers' influence both among trade union members and the general public (Mowitz & Palm 2018). In Norway, a mining accident in 1963 (Kings Bay in Svalbard, a state-owned company) led to both left- and right-wing politicians asking whether the accident that killed 21 people might have been avoided if the employees had had a greater say in the running of the mine. The Labour government, in power since World War II, had to resign.

Several writers also [see e.g. Waddington and Conchon (2016) or Bergh (1994)] point to the democratic ideals of the 1970s, when they argue that opponents of the arrangement were not able to prevent legislation. In order to understand why the two Nordic countries ended up with different election principles, it is important to include the political arena. The debate in Sweden took place during a period of stable social democratic government. In Norway, the question of industrial democracy was highly debated by the political parties, and was, as the historians argue, a part of a political play (Bergh 1994)ⁱⁱ. The right to elect representatives in Sweden was aligned with the rest of

the IR framework: the right to appoint BLERs was, by law, given to the trade unions, a principle also recognized in the law on participation (*Medbestämmandelagen*).

In Norway, the fact that the trade unions were not to be involved in electing the representatives was an important argument for the right-wing political parties and the employers' associations. The debate was also dominated by disagreement between LOⁱⁱⁱ and the Labour Party. LO wanted employee-elected directors to advocate the interests of the employees of the company, while the Labour Party wanted them to represent the interests of society as a part of the strategy to expand the economic democratization of society. Bergh (1994) uses this strategy to explain why the Conservative Party ended up supporting employee participation; in order to keep the decision-making authority inside the companies, employers preferred employee-elected directors to publicly appointed members of the board. The need to uphold strong and efficient governance in the companies was emphasised, and thus, the employee representatives – as the rest of the board – had to take responsibility for company operations.

We have not been able to identify any further analysis of the role of the Swedish employers in the debate. Thompson (2016:200) labels the representation arrangement as 'perhaps the best direct expression of social democracy on Nordic company boards'. Thompson explains the lack of employer resistance by pointing to the minority position of the BLERs as well as their formal responsibility; the duty of loyalty and care to the company. This, he argues, places the BLERs in a consultative role.

More than 45 years later, both the boardroom and the notion of democracy at work have changed. The 'rubber stamp boards' of the past have been replaced with boards dominated by norms of active ownership and a whole range of soft laws, or codes of conduct, concerning corporate governance and social responsibility. Economic democracy is no longer on the political agenda; deregulation and shareholder value have become 'faith' (Clarke 2004:289). The interests of society have become a company's social responsibility, and thus reduced employees' interests to one of many different stakeholders' interests (Hagen & Mulder 2012). Human resource management has replaced the ideas on participatory democracy (Pateman 1970). Trade union density has decreased and the relationship, or conflict, between labour and capital is often embedded in complicated global company structures. The number of small independent companies has decreased, with most people now working in a subsidiary owned by a company group (Hagen 2015).

On the other hand, the Nordic model of IR still constitutes the framework of the labour markets. Tripartism, collective agreement and social dialogue at company level are important features (Andersen et al. 2014). Lekvall (2015) presents a Nordic model of corporate governance, or a common framework of company law. The Nordic Companies Acts all provide for a powerful annual general meeting (AGM)^{iv}, one single board (one-tier system), extensive minority shareholders' rights and a clear line of duty between the board and the management. A distinction between the interests regulated by the Companies Acts and other interests is established. Aarbakke et al. (2004) interpret the Norwegian Companies Act as follows: 'It is clear that the shareholders' interest in return on capital is the core element of the company's interests ... different social interests are primarily taken care of through legal acts outside the Companies Act' (Aarbakke et al. 2004:495, my translation). Both countries also have important elements of soft law. The corporate governance codes were introduced in 2003 in Norway and in 2004 in Sweden. The codes are almost identical (Hagen & Svarstad 2018). 'Comply or explain'



is the regulatory instrument. There is no reference to BLERs in the Swedish code, while in the Norwegian code, the BLERs are mentioned in footnotes providing information on election arrangements. Neither code makes any recommendations on whether BLERs should be included in the board or not, and both codes emphasise shareholder value and active ownership as the guiding principles.

Legal framework and use of arrangement

As already mentioned, the election principles of Swedish and Norwegian legislation differ. In Sweden, the trade unions at company level appoint representatives, while in Norway an election is held for all employees. In both countries, the BLERs are obliged to represent all employees in the company, that is appointment by a trade union does not entail *solely* representing members of the trade union.

In both countries, representation must be demanded, there is no mandatory provision for the company or the board to make sure that the employees elect their representatives, and this applies at both company and group level (board of parent company). The qualifying threshold for demand in Sweden is 25 employees and in Norway 30 employees. In both countries, the number of BLERs depends on the number of employees: 25 employees in Sweden qualifies for two BLERs. If the company has more than 1000 employees, three BLERs might be appointed, but only if the total number of board members ensures that BLERs are not in a majority. In Norway, 30 employees qualify for one BLER as well as an observer. Fifty employees qualify for electing one-third of the board. Two hundred employees make BLERs mandatory. However, as shown below, ‘mandatory’ does not necessarily mean that all such companies have BLERs. There is no public supervision and thus no sanctions. Representation still has to be demanded by the employees. The Norwegian legislation states that the BLERs have to be employed by the company (one of the companies in the group when elected to the parent board), while the Swedish legislation stipulates that BLERs ‘should be’ an employee of the company. All of the Swedish BLERs in the ETUI survey comply with this recommendation.

In Norway, Hagen (2017) found BLERs in 18 per cent of all companies with more than 30 employees, which is a substantial decrease from the 27 per cent in 2006. Among companies with more than 50 employees, the proportion in 2017 was 28 per cent, and among companies with at least 200 employees, 52 per cent. There are no corresponding figures on Sweden available. An estimate based on information from Statistics Sweden indicates that there are approximately 15,000 companies with more than 25 employees^v. Estimating two BLERs in each company (and setting aside the right to elect three in the largest companies), there should be roughly 30,000 BLERs in Sweden. In 2006, PTK^{vi} found 12,500 BLERs, and by 2016, the number had decreased to 6500 – or 22 per cent.

Research on BLERs

How do the current BLERs comply with the old picture? Neither the Swedish nor the Norwegian BLERs have been subject to extensive research. In 1977, Engelstad and Quale (1977) reported that a clear majority of both BLERs and employers in Norway supported the arrangement, but the researchers found limited effect on the distribution

of power in the companies. In 2002, the Norwegian Power and Democracy Committee found that nine in 10 of the business elite supported a statement saying, ‘Co-determination, as stated in the laws and collective agreements, is a substantial advantage for Norwegian businesses’ (Hagen 2010:244, my translation), decreasing to eight out of 10 in a similar survey of the elite in 2013 (Gulbrandsen 2019:117). In 2010, a (tripartite) public committee on participation and codetermination stated that ‘both their (BLERs) positive contribution to the running of the company and the democratic value implies that the employees should be represented in as many companies as possible’ (NOU 2010:1:140, my translation). Two surveys from Fafo (Hagen 2005, 2008) confirmed that both parties – the management as well as the BLERs themselves – valued the arrangements. Nevertheless, another study (Hagen 2011) indicated that trade union representatives considered the collective agreement (*Hovedavtalen*) to be a more decisive instrument for employee participation than the right to elect members of the board.

Until 1987, two legal acts regulated the representation in Sweden. Prior to the merger of the two acts, a report to Parliament stated that both trade unions and employers considered the regulation to be a success and that the BLERs make a positive contribution to the running of the company. Levinson (2000) found that 80 per cent of CEOs and board chairs did not want to diminish the importance of the arrangement. A similar study in 2006 (Levinson 2006) found no change in attitudes. The trade unions were also supportive and considered the arrangement to be a useful part of the overall IR system.

These studies on the Norwegian and Swedish BLERs are the only ones available to us. Most of the research conducted on BLERs is by German researchers. The German two-tier arrangement (management board and a controlling supervisory board including BLERs) complicates a comparative analysis. Waddington and Conchon (2016) argue that there are two rather isolated research traditions connected to the BLERs: as part of corporate governance or as part of industrial relations. The two traditions seldom relate to each other. While the first focus on BLERs and economic performance (see e.g. Strøm 2008 or Palmberg 2012), the second has a distinct macroperspective and uses BLER as a symbol of a certain model of IR arrangements (see e.g. Scholz & Vitols 2016 or Gospel & Pendleton 2005). These studies presuppose a conflict of interests and highlight how countries with codetermination arrangements have a high productivity score. The *role* of BLERs is ignored, and BLERs and trade union representatives are both perceived as actors advocating employees’ interests and part of the same opposition towards managers and shareholders. Kleinknecht (2014:57) makes an interesting comment in his review of research on BLERs and economic performance: ‘Evaluations of such employee participation (BLERs) tend to reflect the authors’ presuppositions and their disciplinary approach’.

Turning to shareholder-elected directors’ perceptions of the BLER role, some quotes from an earlier project (Hagen 2016, translated from Norwegian) illustrate the different positions:

‘Yes, they (employee elected) represent employee interests ... their task is more difficult (than the rest), they are subject to compound pressure between employee interests and profit maximizing.’

‘You have to give them (the employee-elected members) legitimacy as individuals with special knowledge above the rest of the board; they know a lot more about different



consequences of board resolution. However, they do have a more difficult task (than the shareholder elected) where the totality is concerned.’

These two shareholder-elected directors emphasised the dilemma of the BLERs, and both of them use companies’ interests (perceived as shareholder value) as the main tool for conflict resolution. Thus, they both recognize a potential and open conflict. Other quotes may serve as an example of a potential concealed conflict:

‘It is very useful to have employees on the board, they have information and different views that otherwise would not have made it to the board. They become accountable – we are all in the same boat. They shall not represent, neither shall the shareholder-elected board members, they have a common goal and shall not represent special interests.’

The ‘boat’ in question was clearly companies’ interests, which again is perceived as shareholder value. Some pointed to a stakeholder orientation:

‘The employee representatives have no special rights – and neither has the chair – they are to take responsibility for the company as a whole, but they have a special responsibility to attend to the interests of the employees.’

We do not have corresponding Swedish data. A quote from the BLER Handbook from PTK, however, indicates that the aforementioned debate is present in Sweden as well:

‘Employee representatives, like other board members, have dual roles. All members are responsible for the company’s operation. They shall look after the interests of the company. In addition, employee representatives have particular interests in relation to the employees, while the shareholder-elected members’ interests are in relation to the owners of the company’ (PTK 2016: 14, translation by author).

Legally advocating employees’ interests?

Both Swedish and Norwegian company law put the shareholder-elected and the employee-elected directors on an equal footing where they are subject to the same legal rights and obligations. All directors have a commitment to the company’s interests and all have a responsibility in relation to the company’s affairs and the company’s operating activities. The key to averting a possible conflict lies in the definition of the term ‘company’s interests’. If a company’s interests equal maximizing dividend and increasing stock price, this stands in opposition to employment and working conditions. If a company’s interests equal securing the long-term existence of the company, a possible conflict with employees’ interests is harder to picture (Ulseth 2014).

Mainstream shareholder primacy theory is supported by agency theory (Fama & Jensen 1983). As posited by Lekvall: ‘All directors are obliged to act in the best interest of the company as agents of all its shareholders ... It is important to note that those directors (employee elected) have the same legal duties and responsibilities as any director on the board’ (Lekvall 2015:71 and 78).

Agency theory and shareholder value have become the mainstream view of the responsibility of directors that is strongly advocated by company lawyers and, correspondingly, BLERs' responsibility for solely acting in the best interest of the company understood as shareholders' interests. Other lawyers point to the preparatory works of the BLER arrangement and state that the arrangement was established as a way of strengthening employee influence. Granden (2005) argues that 'A general view is that a director elected by the employees (or for that matter certain other interests) is not disqualified solely by reason that he or she represents an interest which in the present case does not coincide with the company's interest ... For the employees elected, it is both obvious and legitimate to emphasize the employees 'interests.' (Granden 2005:103, my translation). Other lawyers like Ulseth (2014) as well as Bråten (2005) support this interpretation: 'Even the board members elected by and among the employees, must – as a point of departure – attend to the interests of the shareholders and creditors. Nevertheless, board members elected by the employees, might – fully legally – have different priorities than the shareholders' interests. The interests of the employees are given a particularly privileged position by the legal rules on employee co-determination (industrial democracy)' (Bråten 2005:1).

Research questions and methods

How can we explore whether the BLERs are placed in an impotent position? Does the dual role – directors are legally responsible for the company and are elected by the employees/trade union – imply a powerless position? To what extent does the predicament from the late 1960s still exist? Are the BLERs hostage to a shareholder majority?

When establishing the hypotheses, we return to the main arguments of the opponents of the arrangement: due to the minority position and the dual obligation, the BLERs are not able to exercise any influence. Making use of the arrangement is at best a waste of time, and at worst puts employee representatives in a hostage position. Our first hypothesis concerns both of these positions.

H1: The dual obligation places the BLERs in a powerless situation.

In order to examine H1, we i) present findings on influence and ii) look into the correlation between preferences and influence. Do BLERs only exercise influence when they advocate shareholders' interests, that is do they enter into the hostage position? Or to rephrase: does advocating trade union interests in the board increase the level of conflict and, due to the minority position, will the BLERs be outvoted? Thus, we also ask whether any differences between the Swedish and Norwegian BLERs might be traced back to the beginnings of representation, for example, the trade unions' right to appoint BLERs in Sweden

The second hypothesis is based on earlier research on BLERs. As Hagen (2010) indicates, the most important source of influence of the BLERs is the cooperative relations with the management and the rest of the board. The better the relations, the more influence that can be exerted. This also applies to participation based on collective agreements (Trygstad et al. 2015). However, trade union representatives have instruments



(e.g. labour court if management violates the agreements) that are not available to BLERs. Thus, we assume that:

H2: BLERs only exercise influence when the relations with management and shareholder-elected directors are considered cooperative.

Examining H2 might only tell us something of the relationship between the actors; cooperative relations do not necessarily imply that the BLERs are put in a hostage position. Hagen (2010) argues, based on quantitative interviews, that some managers appreciate influential BLERs. Shareholder-elected directors might also want to establish a solid relationship with powerful BLERs, that is we need more data before rejecting or confirming a hostage position.

Thus, do management and shareholder-elected directors relate to the BLERs in accordance with the interests they advocate, that is influence given to the tractable BLERs?

H3: A positive relationship with managers and shareholder-elected directors depends on BLERs advocating shareholders' interests.

This hypothesis is examined by looking into relationships and interests.

Data and methods

In this section, some basic characteristics of the BLERs are presented. In 2011–2012, the European Trade Union Institute conducted a survey among BLERs in all EU/EEA member states where the employees have (in one way or another) the right to be represented on the company board (Waddington & Conchon 2016). A data file with the responses from the Swedish and Norwegian surveys was made available to us. The response rate in Sweden was 25 per cent and in Norway 23 per cent.

Only BLERs from i) companies with at least 25 employees and ii) sitting on boards with at least four directors are included in the analysis. BLERs in companies with fewer employees than the legal threshold requires most likely have characteristics (e.g. partnerships or give particular importance to codetermination) that are specific to such companies and therefore unsuited to our research interests. Boards with three or fewer directors are probably set up solely for legal reasons (rubber stamp boards) and thus the important decisions (in which BLERs could participate) have already been made.

The sample consists of 586 Swedish and 702 Norwegian BLERs. The survey mapped the perceptions of the BLERs: we cannot confirm any level of influence or any particular relationship between the different actors. In addition, using results from international surveys requires us to exercise caution when interpreting the results. A questionnaire that originated in Norway/Sweden would ask slightly different questions and give different values to the variables. The quality of the data and the fact that our main variables concerned attitudes and perceptions according to both dependent and independent variables, led to us choosing bivariate analysis throughout the article and pinpointing that causality is interpreted and not made evident. Nevertheless, a linear regression analysis was carried out and will serve as a reference throughout the article.

Table 1 provides some basic information on the respondents and their companies.

Table 1 BLERs and company characteristics. Proportion

	BLERs		Companies		
	Sweden	Norway		Sweden	Norway
Percentage of female BLERs	25	28	Percentage listed on the stock exchange	25	23
Age (average)	52	47	Number of employees (average and median)	1259/250	1073/200
Seniority in company (average and median)	23 (23)	16 (13)	Percentage of parent companies	45	54
Years of service on the board (average and median)	8.8 (8)	4.5 (3)	Number of board members (average and median)	6.84/6	7.07/7
Percentage with 3+ years of education	25	53	Percentage with public majority owners	11	23
Percentage with trade union membership	97	75	Percentage with head office abroad	21	14
Percentage with trade union role at company level	87	70	Percentage with manufacturing, construction and mining	73	58
			Percentage with services and transport	27	42
			Number of employees on the board (average and median)	2.8 (2)	2.4 (2)
			Average percentage of BLERs on the board	33	33

The BLERs in Sweden are, on average, slightly older and have longer seniority both as a director and as a company employee than their Norwegian counterparts. As could be expected, the Swedes are all members of a trade union, and nine out of 10 have a trade union role, for example serving as a trade union representative in the company. Also among the Norwegians, most of the BLERs have a connection to a trade union: three out of four are signed up members and seven out of 10 have a role.

Turning to company characteristics, the Swedish companies are larger, more of them are subsidiaries, the boards are slightly smaller and, not surprisingly, there are fewer companies with a public majority owner. Fewer Norwegian companies are foreign-controlled and more belong to the service sector. There is no information on collective agreements in the dataset, but we would assume that 75 per cent is an accurate estimate in Norway, and because of the Swedish legislation, all of the Swedish companies. In both countries, the BLERs have one colleague on the board. In most companies, the employees occupy one-third of the seats.

Results

Examining H1 (*The dual obligation places BLERs in a powerless situation*) entails several operations. First, we have to establish the perceived level of influence. Second, a



regression analysis is carried out in order to examine the BLERs' and companies' characteristics (ref. Table 1), and third, we look for a correlation between influence and interest.

The BLERs are asked to assess their importance on the board in Table 2.

Table 2 In general terms, regarding the actual practice of the board do you think that you
Percentage

	Sweden	Norway
co-manage the company by participating in the preparation of decisions	13	13
control the management of the company through supervision	15	6
discuss matters with other board members until a shared position is reached	15	36
are consulted, but the final decision is in the hands of other board members	24	35
are informed, but have little opportunity to discuss matters	33	10
Total	100	100
N	586	692
Mean (1–4 scale)	2.37	2.65

Table 2 shows some interesting results. First, the findings indicate more polarized opinions in Sweden: 28 per cent chose the two strongest alternatives compared to 19 per cent of the Norwegians. At the other end: while 33 per cent of the Swedes answer that they 'are informed, but have little opportunity to discuss matters', this only applies to 10 per cent of the Norwegians. More than one-third of the Norwegians answered in accordance with the recommendations of the Corporate Governance Code; the board shall function as a unanimous group. This only applies to 15 per cent of the Swedish BLERs.

From a Nordic perspective, the alternative 'control the management of the company through supervision' indicates the two-tier German system (management and supervisory board). In the rest of the analysis, we have added the first two alternatives. This resulted in a four-point scale, from 1 'very little influence' to 4 'a lot of influence'. An independent-sample T-test confirmed that the difference between the two means (given in Table 1) is significant at a level of 0.01. Thus, even if limited, the Norwegian BLERs, in their own view, enjoy a higher level of influence than their Swedish counterparts. However, before we conclude on a 'country effect', we need to examine other possible explanations. Table 3 shows the result of the first regression analysis^{vii}.

Five variables have a significant B: gender, level, state ownership, sector and country. Note that the adjusted R² is very weak, but some important implications are found. First, the 'country effect' is still present: the regression analysis does confirm the different level of influence in the two countries. Second, neither trade union membership nor trade union role show significant results, that is a trade union position per se does not affect the level of influence. This implies a need to ask whether a trade union role affects the choice of interests.

Is the level of influence shown in Table 2 affected by the interests that the BLERs choose to advocate on the board? Is the possible antagonism between shareholders' interests and employees' interests more difficult to handle for the Swedish BLERs? The BLERs were asked to rank the interests that guide their decision-making from 1 to 10. Table 4 shows the percentage of BLERs choosing the interest of different actors as

Table 3 Regression analysis. Dependent variable = level of influence

	Model 1		
	B	SE	p
(Constant)	3.08	0.40	**
Gender (male vs female)	-0.15	0.07	*
Age	0.00	0.00	
Education	0.00	0.03	
Seniority in the company	-0.01	0.00	
Years of service on the board	0.01	0.01	
Trade union member (yes vs no)	0.07	0.10	
Trade union role (no vs yes)	0.12	0.08	
Company listed on stock exchange (yes vs no)	0.08	0.07	
Number of employees	0.00	0.00	
Level (main vs subsidiary)	-0.25	0.06	**
State majority owner (yes vs no)	-0.29	0.08	**
Sector (manufacturing, construction and mining vs 'rest')	-0.14	0.07	*
Number of board members	0.01	0.01	
Country (Sweden vs Norway)	0.20	0.07	**
N	1233		
Ad R2	0.051		

* = 0.05 and ** = 0.01

Table 4 What are the interests that guide your decision-making on the board? Percentage of BLERs choosing actor as 1 and 1–3 and Pearson correlation coefficients

.... interests of the	Sweden		Norway		Sweden vs Norway	
	Top	Top 3	Top	Top 3	Top	Top3
employees	50	87	51	92	NoS	NoS
company	24	61	34	77	,10**	,17**
shareholders	3	15	10	41	,10**	,28**
trade union at workplace	11	46	2	16	-,14**	-,32**
N	586		702		1278	

NoS = not significant. * = 0.05 and ** = 0.01

number 1 and second, the percentage choosing the interest in question as one of the top three. The respondents were presented with 10 different alternatives, but our focus is on the top four. The table does not, therefore, add up to 100.

BLERs do emphasise employee interests on the board, with half of the BLERs in both countries placing this interest at the top and nine out of 10 putting employees' interests among the top 3. While the Norwegians are slightly more inclined to emphasise employees' interests, a more interesting difference occurs when looking at the support for



the other possible interests. Far more Norwegians are inclined to use company and shareholders' interests as their guide, while far more Swedes point to trade union interests.

Table 4 does not confirm H1, and neither do we detect any correlation^{viii} between interest and influence on the board in total (not in table) nor in Sweden or Norway. This is confirmed in the regression analysis (model 2–5, see appendix 1): 'country effect' is still significant even after introducing interests into the model. Neither shareholders' nor trade unions' interests are significant in the regression analysis, but the results indicate that emphasis on employees' and company's interests has an effect (see below for comment). R2 is, however, still very weak (0.06 and 0.07) and permits us to conclude that advocating certain interests has a very limited effect on influence.

As shown in Table 1, nine out of 10 of the Swedish BLERs have a trade union role. Focusing solely on the Norwegian BLERs, we find that Norwegians with a trade union role seem more prone to advocate trade union interests on the board; a small, but significant correlation occurs (0.14**). In this respect, they do behave more in line with the Swedish BLERs than their non-role Norwegian colleagues. However, even if we do find that active trade unionists are more concerned with trade unions' interests, this interest does not affect the level of influence.

Before we are content to place the Swedes and the Norwegians in different positions, we need to elaborate on interests and relations. Are BLERs 'given' influence by the rest of the board based on their relations or do BLERs 'take' influence based on their power resources? Are tight and close relations anchored in the old hostage or renegade role? H2 (*BLERs only exercise influence when the relations with management and shareholder-elected directors are considered as cooperative*) is examined by looking into possible correlations between relationship and influence and then extending the regression analysis. The result is shown in Table 5 and we have included the correlation coefficient at the bottom of the table.

Table 5 How would you describe your relationship with Percentage and Pearson correlation coefficients

	Shareholder-elected directors		Senior management	
	Sweden	Norway	Sweden	Norway
Very cooperative	21	33	23	24
Fairly cooperative	44	46	38	47
Intermediate	33	20	33	24
Fairly conflicting	2	1	6	3
Very conflicting	0	0	1	0
Total	100	0	100	100
N	559	594	563	684
Mean [T-test ** (both)]	2.16	1.89	2.25	2.08
Correlation: Sweden vs Norway	-.18**		-.10**	
Correlation: Variable vs influence on the board	0.28**	0.32**	0.31**	0.25**

* = 0.05 and ** = 0.01

Overall, Table 5 indicates positive relations in both Sweden and Norway. Nevertheless, the Norwegian BLERs have a significantly more cooperative relationship with the shareholder-elected board members as well as a slightly better relationship with the senior management. In both countries, there is a strong and significant correlation between relationships and influence.

Table 5 confirms H2 – relationship matters. This is confirmed by the regression analysis and as shown in Table 6, adding relations has implications for the ‘country effect’.

Table 6 Regression analysis. Dependent variable = level of influence

	Model 6 (shareholder-elected)			Model 7 (senior management)		
	B	SE	p	B	SE	p
(Constant)	3.94	0.41	**	4.04	0.40	**
Gender (male vs. female)	-0.17	0.07	*	-0.17	0.07	**
Age	0.00	0.00		0.00	0.00	
Education	0.01	0.03		0.01	0.02	
Seniority in the company	-0.01	0.00	*	-0.01	0.00	
Years of service on the board	0.01	0.01	*	0.01	0.01	
Trade union member (yes vs. no)	-0.05	0.10		-0.04	0.09	
Trade union role (no vs. yes)	0.09	0.08		0.08	0.08	
Company listed on stock exchange (yes vs. no)	0.07	0.07		0.06	0.07	
Number of employees	0.00	0.00		0.00	0.00	
Level (main vs. subsidiary)	-0.20	0.06	**	-0.22	0.06	**
State majority owner (yes vs. no)	-0.17	0.08	*	-0.25	0.08	**
Sector (manufacturing, construction and mining vs. 'rest')	-0.15	0.07	*	-0.15	0.06	*
Number of board members	0.00	0.01		0.01	0.01	
Country (Sweden vs Norway)	0.11	0.07		0.14	0.07	*
Relationship with shareholder-elected members (1 = very good ... 5 = very bad)	-0.39	0.04	**			
Relationship with senior management				-0.33	0.03	*
N	1107			1198		
Ad R2	0.13			0.12		

* = 0.05 and ** = 0.01

The regression analysis confirms the importance of relationships both with shareholder-elected board members and the senior management. In addition, including shareholder-elected members means that the country effect is no longer significant.

Returning to the Norwegians BLERs only, whether or not the BLER has a trade union role does not correlate with relations (with both stakeholder-elected members and senior management). Thus, in this respect, the Norwegian trade unionists do not resemble



their Swedish counterparts by having a less positive relationship. Thus, so far, our data indicate that advocating different interests does not affect influence, while a positive relationship with shareholder-elected board members and the management does.

One important question remains: does a good relationship depend on which interests the BLERs advocate on the board? H3 (*A positive relationship with managers and shareholder-elected directors depends on BLERs advocating shareholders' interests*) is examined by looking into the correlation between choice of interests and relations.

Table 7 Interests (top 3) and relations. Pearson correlation coefficients. N as in Table 6

... interests of the	Shareholder-elected board members			Senior management of the company		
	Total	Among SE BLERs	Among NO BLERs	Total	Among SE BLERs	Among NO BLERs
shareholder	-.13**	NoS	-.11**	NoS	NoS	-.10*
employees	NoS	NoS	NoS	NoS	NoS	- NoS
trade union	.10**	NoS	.10*	.11**	NoS	.11**
company	NoS	NoS	NoS	NoS	NoS	NoS

NoS = not significant. * = 0.05 and ** = 0.01. SE = Sweden and NO = Norway.

Based on the findings in Table 7, the answer is no, BLERs do not have to advocate the shareholders' or the company's interests in order to maintain a cooperative relationship with the other actors, the correlation coefficient is generally weak. Thus, H3 is not confirmed. However, a closer look shows some interesting indications. Among the BLERs in Sweden, there is no correlation on either variable. Among the Norwegians, even if the coefficients are weak, advocating shareholders' interests has a positive effect on relations, but so does advocating trade union interests. However, if we compare BLERs with and without a trade union role, the correlation between shareholders' interests and relations is only found among the trade unionists. Second, while a positive correlation is found with advocating trade union interests among the BLERs with a role, among the BLERs without a role, a corresponding correlation is found between relations and advocating employees' interests. Thus, these results indicate that the Norwegian BLERs believe that the shareholder-elected board members and senior management appreciate the dual obligation: BLERs shall advocate both shareholders' and employees/trade unions' interests.

Conclusions

The analysis indicates that Norwegians BLERs – in their own view – are able to exercise a slightly higher level of influence than their Swedish counterparts. Whether the level of influence means that the BLER role can be described as a powerless position is a far more complicated question. We might, however, argue that the level of the BLERs' influence is not dependent on advocating shareholders' or the company's interests. On the other hand, and in line with findings on influence and collective agreements, a positive relationship with shareholder-elected board members and senior management appears to be an important source of power. Nevertheless, statistical correlation does not give

a causal explanation. It seems reasonable to assume that, for example, senior management wants or needs to establish cooperative relations with influential BLERs. What the analysis does tell us is that solely advocating the shareholders' or the company's interests in order to establish such relations is not necessary.

The important question is whether our results permit us to quench the debate on the complicated role of serving as an employee representative on the board. One way of approaching this question is to argue that the results indicate that BLERs in Sweden and Norway are anchored in the role of representing employees' interests. No support is found for Bråten's (1983) assumption that the BLERs have been coopted by the majority of the board or lost their 'true interests' (ref. his theory on 'the power of models'). Second, we have tried to identify any predicament by looking at the correlation between interest representation and the relations between BLERs and the other actors. No clear indications of such a disparate role have been found.

One the other hand, there are some interesting differences between the Norwegian and Swedish BLERs. The more polarized results concerning influence on the board strengthen this assumption; the Swedish BLERs are either 'in or out'. We have tried to pinpoint the 'country effect' to the different election principles. First, and as shown in Table 2, neither trade union membership nor trade union role affect influence. Second, we find that Norwegian BLERs with a trade union role are more disposed to advocate trade union interests, and in this respect are more in line with their Swedish counterparts. On the other hand, whether or not the Norwegians have a trade union role has no effect on relations with shareholder-elected directors or management.

Introducing relations into the regression model weakens the 'country effect'. Thus, we end up with a familiar conclusion: relationships matter! The Norwegians report a more positive relationship with shareholder-elected board members and the senior management. The Swedes seem to be in a slightly more conflicting role than their Norwegian counterparts, as they are more reluctant to place importance on shareholder value and the company's interests. Among the Swedes, no correlation was found between interests and relations, while among the Norwegians, we find the dual obligation: advocating both shareholders' interests and employees/trade unions' interests has a positive effect on relations. Thus, we might suggest a conclusion that emphasises that while the Norwegian BLERs believe that both the shareholder-elected board members and the management appreciate the dual obligation, this is not the case among the Swedish BLERs.

Board composition and board decisions concern power relations and power distribution between labour and capital. The role of shareholders in a historical perspective might provide important insight. Both Sejerstad (2003) and Høgfeldt (2004) maintain that Swedish owners have been more powerful than their Norwegian counterparts. Sejerstad (2003) also argues that managerial capitalism was less prominent in Sweden. Both of the historians paint a picture of a macro model that left the owners alone. An alliance of labour parties and trade unions kept capital under control, but the relations between owners and companies was not part of this strategy. Any attempt to hand over the majority of the board to either employees and/or representatives appointed by politicians was rejected (Engelstad 2015). The struggle for greater democracy took place at macro level (Heiret 2003), and employees got their fair share of the surplus through centralized wage bargaining. However, despite important common features in the social-democratic enthusiasm, as stated by Sejerstad (2003:227, my translation): 'In Sweden, active owners are carrying out significant power all the time'. In the 1950s, 75 per cent^{ix}



of the shares registered on the Stockholm Stock Exchange were owned by private persons, steadily decreasing to 15 per cent by 2015. In 2015, private persons only controlled 4 per cent of the Oslo Stock Exchange. Private capital has been scarce in Norway throughout industrialization, and thus, public ownership is very important in Norway (35 per cent in 2015). Domestic institutional ownership is also more common in Sweden (40 per cent vs. 24 per cent in Norway).

If ownership matters, as stated by Bøhren (2011), for example, the distinction between Swedish and Norwegian boards make sense. As shown above, the Norwegian BLERs perceive the board to be more in line with the Corporate Governance Code and less as solely an instrument for the shareholders. Using the same ETUI survey, Hagen and Svarstad (2018) found that while 49 per cent of the Norwegian BLERs reported that the important decisions were made at board meetings, this only applied to 36 per cent of the Swedish BLERs. Thus, once more, we might argue that the Corporate Governance Code is more influential in Norway. Less emphasis on the board as a unanimous group makes way for a more conflict-oriented board. Adding the conflict orientation of agency theory, an open and legitimate conflict between labour and capital becomes possible. The Swedish BLERs are in conflict, but this is the well-known labour versus capital conflict, it is not a conflicting role caught between employees' and shareholders' interests in the framework of company law.

Thus, we might end up with a hypothesis stating that while Norwegian shareholders needed the assistance of the corporate governance wave and its emphasis on shareholders' interests, this assistance was less needed in Sweden. Swedish owners have 'always' been in control, adding legitimacy to an open conflict.

Based on resource dependency theory, we might argue that board members use their resources in order to increase company legitimacy (Pfeffer & Salancik 1979). As BLERs have no interest in harming the company in public, we might assume a suppressed conflict; they use their own resources to benefit shareholders' interests. The assumed hostage role comes to mind, BLERs supporting majority decisions both in public and towards their own constituency and the trade unions. This is in line with the institutional view of BLERs found in Christensen and Westenholtz (1999). They picture the Danish BLERs as 'citizens of the company'. The BLERs' self-perceptions have changed and they are no longer representatives of the employee but of the company as such. Changes in work organization, and especially the way that the company relates to the outside world, are important. Increased competition precludes a conflict-oriented role solely based on employees' interests. Thus, Christensen and Westenholtz (1999) argue, it is not that the BLERs do not want to represent employees' interest, but rather that a change of interests has occurred. Using the language and the warnings from the BLER opponents in the 1960s one might also point to the BLERs as being coopted.

Whether or not the Danish finding from 1999 is relevant to our findings on the Norwegian BLERs is an interesting question. Based on a survey from 2005 among Norwegian board members, Huser et al. (2009) found that the quality of the debate (openness and attentiveness) as well as consensus among all the directors on the board increased BLERs' influence. A service role implies using your own resources in the interests of the company, that is a responsible role. Thus, using this approach, we might argue that the Swedish BLERs have more experience with the conflicting role than their Norwegian counterparts. However, as the results indicate, this has hardly placed the Swedish BLERs in a more impotent position than their Norwegian counterparts.

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Notes

- ⁱ Board level employee representatives – BLERs – is the established abbreviation; see, for example, Waddington and Conchon (2016).
- ⁱⁱ Introducing the distinctively Norwegian 'company assembly' (a company body in which employees elect one third of the members) between the AGM and the board was an important part of this political play. However, as recent studies have shown (Hagen (2015), hardly any assemblies exist today. Thus, the assembly is not a part of this analysis, but, as it is still part of Norwegian law, it is important to mention that the assembly must not, based on the motives and the competence, be viewed as a (German-like) supervisory board.
- ⁱⁱⁱ Landsorganisasjonen (LO) is the oldest and largest trade union confederation in Norway.
- ^{iv} The importance of the AGM as an institutionalized company body is also an empirical question, as both ownership and company structure might reduce the AGM to a mere formality, for example, in family-owned companies or in subsidiaries 100 per cent owned by the parent company. Another important distinction is whether the company is listed or not.
- ^v This is a conservative estimate; Statistics Sweden uses 20–49 as their threshold, we have included 50 per cent of the companies in this group.
- ^{vi} PTK – or the council for negotiation and cooperation, is a joint organization of 27 member unions, representing 850 000 salaried employees in the private sector in Sweden.
- ^{vii} Some of the variables in Table 1 are not suited for regression due to the coding in the original file, for example, percentage of BLERs or head office abroad. A check on bivariate correlations permits us to include all variables in the model. The main variable – influence – is measured using a Likert scale, but even so, and following Ringdal (2001), we use linear regression. However, an ordinal regression was also carried out in order to check the results. This analysis ended in the same five significant effects and the same conclusion as above: if our main intention was to understand the level of influence, a different model needs to be applied. Our aim, however, was only to make sure that any differences between Swedish and Norwegian BLERs are not due to standard background variables (gender, age, education, etc.) or company features. These comments also apply to Table 6 as well as the appendix.
- ^{viii} The threshold for stating 'no correlation' is 0.09.
- ^{ix} All figures from Lekvall (2015).

Appendix

Regression Analysis (ref. Table 4)

	Model 2 (shareholder)			Model 3 (employees)			Model 4 (trade union)			Model 5 (company)		
	B	SE	p	B	SE	p	B	SE	p	B	SE	p
(Constant)	3.08	0.40	**	2.88	0.41	**	3.01	0.40	**	3.04	0.40	**
Gender (male vs female)	-0.15	0.07	*	-0.15	0.07	*	-0.15	0.07	*	-0.15	0.07	*
Age	0.01	0.00		0.00	0.00		0.00	0.00		0.00	0.00	
Education	-0.03	0.03		0.00	0.03		0.01	0.03		-0.01	0.03	
Seniority in the company	-0.01	0.00		-0.01	0.00		-0.01	0.00		-0.01	0.00	
Years of service on the board	0.01	0.01		0.01	0.01		0.01	0.01		0.01	0.01	
Trade union member (yes vs. no)	0.06	0.10		0.08	0.10		0.08	0.10		0.06	0.10	
Trade union role (no vs. yes)	0.12	0.08		0.12	0.08		0.11	0.08		0.12	0.08	
Company listed on stock exchange (yes vs. no)	0.08	0.07		0.07	0.07		0.07	0.07		0.06	0.07	
Number of employees	0.00	0.00		0.00	0.00		0.00	0.00		0.00	0.00	
Level (main vs. subsidiary)	-0.24	0.06	**	-0.25	0.06	**	-0.25	0.06	**	-0.25	0.06	**
State majority owner (yes–no)	-0.29	0.08	**	-0.31	0.08	**	-0.30	0.08	**	-0.30	0.08	**
Sector (manufacturing, construction and mining – ‘rest’)	-0.14	0.07	*	-0.14	0.07	*	-0.14	0.07	*	-0.14	0.07	*
Number of board members	0.01	0.01		0.01	0.01		0.01	0.01		0.01	0.01	
Country (Sweden vs. Norway)	0.19	0.07	**	0.19	0.07	**	0.21	0.07	**	0.19	0.07	**
Shareholders’ interests (not prioritized vs. pri.)	0.04	0.07										
Employee interests				0.24	0.10	*						
Trade union interests							0.07	0.07				
Company interests										0.13	0.07	*
N	1233			1233			1233			1233		
Ad R ²	0.06			0.07			0.06			0.06		