NEW ECONOMIES FOR ERADICATING POVERTY

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Labour, Care, and Economic Democracy

POLICY PROFILE 2.9

WORKPLACE DEMOCRACY

A contribution to the Roadmap for Eradicating Poverty Beyond Growth

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EXECUTIVE SUMMARY

This proposal considers implementing a dynamic trajectory for firm democratisation and value-chain inclusion as a predistributive component of a roadmap to eradicating poverty beyond growth. Corporate decision-making power is generally concentrated in the hands of shareholders and top executives, while workers — who generate value and bear the risks of restructuring, relocation, or automation — have little influence over strategic choices. This imbalance contributes to wage suppression, deteriorating working conditions, short-term profit maximisation, and decisions that undermine long-term social and ecological sustainability. The decline of collective bargaining coverage and the expansion of precarious work have further weakened workers' voice, reducing their capacity to shape workplace practices, investment strategies, and technological change. Workplace democracy seeks to rebalance power within firms by institutionalising meaningful worker participation in governance and decision-making, moving away from a framework that treats workers as mere "resources" exchanged on a labour market — a view contrary to the ILO Constitution — and toward recognising them as citizens at work who are investing their labour. To operationalise this transition, the proposal introduces a predistributive framework which, unlike traditional redistribution that relies on state transfers after inequality has been produced, rebalances power at its source: the government of the firm.

Three operational steps can be taken. First, the bar can be raised through mandatory minimum thresholds, requiring reforms to company and labour laws that mandate worker representation in governance structures and, drawing on established precedents such as European co-determination, establish three statutory minima: **voice**, through worker representation on corporate boards ranging from one-third to one-half when firm size exceeds 1,000 workers; **ownership**, through statutory minimums for worker shareholding to ensure a stake in the firm's capital; and **protection**, through legal safeguards for union organising across all forms of employment, including platform and subcontracted work, to prevent anti-union retaliation. Second, a dynamic trajectory for the whole economy can be operationalized through a Corporate Democratic Development Index (CDDI) that evaluates firms on Voice (V) and Ownership (O) scales beyond statutory baselines, which public authorities can then link to a "bonus/malus" incentive approach tying corporate tax rates, state aid and public procurement access to these ratings, thereby creating a market-wide incentive for firms to move from capital-governed models (Rating 0) toward worker-governed or steward-owned models (Rating 5). Third, and crucially, the framework extends to global value chains, requiring lead firms — typically in the Global North — to disclose and eventually incorporate the "hidden" workers of the Global South (for example, in the AI value chain, data labellers, content moderators, and factory workers) into their "demos", thereby addressing the "fissuring" of work, combating wage theft, and ensuring that wealth is shared globally where it is created. As the European example illustrates, it is entirely feasible working with unions to organise the representation of all the labour investors across the value chain so as to enable them to consent to the decisions taken at the level of the lead firm and to govern their lives in return. Such an extension would be a game changer in terms of workers' access

to a say over decisions and over the distribution of wealth across the globe that workers create through the existence of these transnational value chains.

Workplace democracy will help internalise social and environmental externalities: democratic workplaces tend to improve job quality and encourage longer-term decision-making. Moreover, by giving workers a voice in how productivity gains are shared, workplace democracy supports fair wages, safer conditions, and more equitable distribution of working time. More fundamentally, it would move the economy beyond extractive GDP growth: research suggests that labour-centred design — in which workers have the power to prioritise sustainability — could reduce energy consumption by up to 75%, and by facilitating worker-led successions and establishing New Citizen Funds the policy safeguards the productive fabric and territorial sovereignty against extractive financial actors. By redistributing power within firms, workplace democracy strengthens economic citizenship and enhances resilience during transitions, ensuring that economic decisions serve human wellbeing and stay within planetary boundaries, and providing a practical path toward a distributive, regenerative, and dignified global future.

1. POLICY GOAL

The core problem is the structural concentration of corporate power, which excludes those who invest their person into a business endeavor via work ("labor investors") from strategic decision-making and governing their life at work and beyond.[1] This imbalance fosters short-term profit maximization at the expense of equal treatment, long-term social goals and ecological health.[2] Grounded in Article 1 of the Universal Declaration of Human Rights (UDHR), which asserts all human beings' freedom and equality in dignity and rights, this policy seeks to support the expression of this commitment in the reality of economy.

The policy aims to:

- **Institutionalize Economic Citizenship** (or, extend the concept of citizenship into the economy): Recognize workers' physical and mental investment, and the risks coming with it, which entitles them to rights in the strategic decision-making level of the firm (i.e. the corporate board, generally).
- **Internalize Externalities:** Reconfigure corporate governance to move away from the pure profit maximization and return on capital investments, to prioritize human well-being and respect of planetary boundaries by including those most affected by environmental and social impacts in corporate governance, i.e. the workers themselves, in the strategic decision-making level of the firm.
- **Eradicate Poverty Without the Need for Growth:** Complement the traditional redistribution (taxes and transfers) that requires endless growth as capital investors' incentive structure is set up to seek endless accumulation to predistribution, rebalancing power at the source—the firm's governance—to ensure wealth is shared where it is created, and throughout the firm's global value chain via ensuring workers have access to voice and ownership at the very stage of wealth creation.

2. POLICY FORMULATION

The policy operationalizes democratization through a two-tiered approach: mandatory minimum baselines and an incentive-based framework aimed at speeding up the trajectory of democratization of the entire economy.[3]

[1] Ferreras Isabelle et alii, *Two Promises to Those Who Work: Voice and Ownership*. Final Report of the International High-Level Expert Committee on Democracy at Work established by the Vice-Presidency and the Ministry of Labor and Social Economy of Spain. (Madrid: Ministerio de Trabajo y Economía Social, 2026). Open access: www.ReportonDemocracyatWork.org

[2] Mazzucato Mariana, *The Value of Everything: Making and Taking in the Global Economy* (London: Allen Lane, 2018)

[3] This is an overview of a policy proposal developed in full here: (Ferreras et alii, 2026, op. cit.) Open access: www.ReportonDemocracyatWork.org

A. Mandatory Minimum Thresholds

Drawing on established practices in the social and cooperative economy worldwide and through European-style codetermination practices in capitalist companies, the policy involves updated statutory minimal requirements:

- **Voice** (workers' access to strategic decision-making): For companies with 50 to 1,000 employees, worker representatives must occupy one-third of board seats. For firms exceeding 1,000 employees, this threshold rises to one-half (parity).
- **Ownership** (workers' access to equity stakes): Establishing a minimum access to 2% share ownership for workers in firms with 25–1,000 employees, and more than 10% in firms with over 1,000 employees, complemented with the creation at State and Regional level of Citizen Wealth Funds aimed at accelerating the transfer of ownership from retiring owners to the company's labor investors.
- **Operational Codecision Rights**: Strengthening existing Works Councils, establishing them or empowering workers' union representatives with mandatory co-decision rights on critical issues, like the deployment and introduction of Artificial Intelligence (AI) systems (i.e. a technology potentially accelerating the rise of inequality in dramatic fashion, and governing workers' life[4]).

B. The Corporate Democratic Development Index (CDDI)

Progress beyond statutory minima is steered by a new simple, instrument: the Corporate Democratic Development Index, a reporting tool that evaluates firms on two six-level scoring scales:

- **The Voice Scale (V):** Ranges from 0 (capital-governed) to 5 (fully worker-governed).
- **The Ownership Scale (O):** Ranges from C (0% worker ownership) to Aaa (over 50% worker-owned).

Public authorities will apply a "bonus/malus" mechanism, tying all incentives (e.g. corporate tax rates, state aid, and access to public procurement) to a firm's CDDI dual rating. In order to speed and reward the efforts to get the trajectory of workers' greater access to voice and ownership into motion at the level of every firm, the public authorities will announce future targets as to when and where the neutral point of the bonus/malus scale will stand. Hence ensuring that the trajectory of democratization gets steady and moves toward further progress for each firm, and for the entire economy.

C. Global Value Chain Inclusion

To prevent the "fissuring" of work, lead firms must report on, and eventually incorporate all labor investors throughout their value chain—independently of the legal status of these

[4] The goal here is to strengthen further the commitment that the governed should consent to the rules that govern their life (see the global call signed by more than 6,000 researchers from all continents : www.DemocratizingWork.org).

workers (e.g. outsourced, legally independent, gig workers, “informal” workers, etc.) , all the labor investors on which investment depends the service commercialized by the lead firm should be included (for instance, in the AI value chain, workers in the Global South like data labellers in Kenya and factory workers in China should be accounted for) into the structure of voice and ownership of the lead firm.

3. EXPECTED BENEFITS

Implementing workplace democracy is expected to yield profound dividends:

- **Social Equity:** By giving workers, a significant voice to intervene on the allocation of profits and revenue, coordinated through firms and industries via union organizations ensuring solidarity across these, firms can reduce working poverty across the globe, ensure a fairer distribution of wealth, reduce in-company and between-industry pay disparities[5].
- **Innovation and Productivity:** Firms with higher levels of worker participation through voice or through ownership are shown to be more productive and innovative[6].
- **Ecological Resilience:** Labor-centered design—where workers can prioritize sustainability over short-term returns—could reduce energy consumption by nearly 75%[7].
- **Democratic Stabilization:** Empowering citizens at work counters anti-social attitudes by fostering trust and autonomy[8].

4. EVIDENCE, EXAMPLES & BEST PRACTICES

The feasibility of this roadmap is grounded in existing and time-tested models:

- **European Co-determination:** 18 EU countries already mandate worker representation on boards. Countries with leading co-determination practices dominate global metrics for innovation and social welfare[9].

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[5] (Ferreras et alii, 2026, op. cit.)

[6] Freeman, R., & Lazear, E. (1995). 'An Economic Analysis of Works Councils.' In J. Rogers & W. Streeck (Eds.), *Works Councils: Consultation, Representation, Cooperation in Industrial Relations*. The University of Chicago Press/ NBER Comparative Labor Markets Series ; Kruse, D., Freeman, R., & Blase, J. (Eds.). (2010). *Shared Capitalism at Work: Employee Ownership, Gain Sharing and Board Based Stock Options.* The University of Chicago Press/NBER ; Jäger, S., Noy, S., & Schoefer, B. (2022). 'What Does Codetermination Do?' *ILR Review*, 75, 857–890.

[7] Cullen J.M., Allwood J.M., Borgstein E.H. (2021) “Reducing Energy Demand: What Are the Practical Limits?” *Environ Sci. Technol*. Feb 15; 45 (4):1711-8.

[8] Pateman, C. (1970). Participation and Democratic Theory. *Cambridge: Cambridge University Press* ; Decker, O., & Brähler, E. (Eds.). (2020). *Autoritäre Dynamiken: Alte Ressentiments – neue Radikalität. Leipziger Autoritarismus Studie*. Psychosozial Verlag ; Honneth, A. (2024). *Der arbeitende Souverän*. Suhrkamp.

[9] Lafuente, S. (2023). « The Quiet Transnationalisation of Board-Level Employee Representation in National Law and Practice: A Case for Pan-European Legislation. » *Working Paper 6, ETUI*.

- **Productivity Gains:** Empirical literature confirms that worker board representation has a neutral to positive impact on investment and employment while enhancing resilience during economic shocks[10].
- **Proven success of the Social Economy:** The whole sector of the cooperative and social economy worldwide, which is structured through the principles of workers' access to voice and to ownership, demonstrates the viability of democratic governance in setting firms to pursue multiple objectives successfully, and internalizing social and environmental costs[11].

5. OBJECTIONS, POTENTIAL BARRIERS & COUNTERARGUMENTS

Economic Downside Myths

Critics argue co-determination hinders investment; however, research consistently shows no conclusive evidence of negative impacts on profitability or competitiveness.[12]

Opportunities

Succession Crisis: Across Europe, one-third of SME owners will retire in the next decade, risking 600,000 jobs annually. This policy mitigates this risk by facilitating worker-led buyouts through new "Citizen Funds".[13]

Implementation Gaps: Currently, labor representation in Spain is only half of its potential based on the existing legislation. It is reasonable to hypothesize that it's not a "Spanish" phenomenon, but an instance of what is classically known under the term "non-take-up" of rights, speaking about the various barriers (working) people face to access to rights. It is very reasonable to think that this is a situation that is very common across jurisdictions. The bonus/malus system addresses this by providing clear financial incentives for firms' compliance and proactive democratization.[14]

[10] Jäger, S., Schoefer, B., & Heining, J. (2021). 'Labor in the Boardroom'. *The Quarterly Journal of Economics*, 136(2), 669–725

[11] Battilana, J., Krol, L., Sheppard-Jones, K., & Ubalijoro, A. (2023). 'Beyond a Niche Approach: Could the Social Economy Become the Norm?'. In G. Krlev, D. Wruk, G. Pasi, & M. Bernhard (Eds.), *Social Economy Science*. Oxford University Press (pp. 169–203)

[12] Biedenkopf Commission (Kommission zur Modernisierung der deutschen Unternehmensmitbestimmung). (2007). Report of the Academic Members of the Commission. Düsseldorf: Hans-Böckler-Stiftung

[13] fi-compass. (2025). ESF+ Study on Worker's Buyout: Summary Report. https://www.fi-compass.eu/library/marketanalysis/esf-study-workers-buyout

[14] (Ferreras et alii, 2026, op. cit.)

6. IMPLEMENTATION STEPS

Table 1 - Summary Toolbox for Implementation

Instruments	Description
CDDI Incentive mechanism plan	Bonus/malus system redistributing the tax burden based on firms' CDDI dual scoring results including Tax Reform Public Procurement Reform Subsidies & Competition Reform
New Legal Minimum for Worker representation	Implement labor investors' legal access to voice
New legal obligation to disclose workers along the value chain *(whatever their current legal status)*	Reporting obligation (expanded on in the CSRDDD EU Directive)
New Citizens' Funds	At national and regional level, public investments mobilized to support worker access to ownership and accelerate the SME' succession crisis
New legal obligation to open ownership to workers	New minimum thresholds on labor investors' access to ownership
International Observatory	A scientists and social partners-led body to monitor access to voice and ownership, and disseminate best practices, at national and international level

Table 2 - Matrix for policy implementation

Level of governance	**Local**	**National**	**Regional**	**Global**
		X	X	X
Time horizon for policy implementation	**Short-term (2-3 years)**	**Medium-term (5 years)**	**Long-term (10 years)**	
	X	X		
Policy fit by economic context	**Low-income countries (LICs)**	**Middle-income countries (MICs)**	**High-income countries (HICs)**	
		X		

7. INTERNATIONAL HUMAN RIGHTS OBLIGATIONS AND INTERNATIONAL COMMITMENTS

Workplace democracy should be understood as a mechanism for giving effect to existing international human rights obligations, particularly through the implementation and fulfilment of international commitments regarding the right to decent work, as enshrined in numerous treaties. The Universal Declaration of Human Rights recognizes the rights to freedom of association, work, just and favourable conditions, equal pay, dignified remuneration, trade-union organization, rest, and an adequate standard of living (Preamble & Arts. 20, 23, 24 & 25).

The International Covenant on Economic, Social and Cultural Rights requires States parties to take steps, including legislative measures, to progressively realize the rights recognized in the Covenant (Art. 2(1)). These include the right to work, freely chosen or accepted; the right to just conditions of work, including fair wages, decent living, safe and healthy conditions, equal opportunity for promotion, rest and leisure; and the right to form and join trade unions and to strike (Arts. 6, 7 & 8).

In the same vein, the International Covenant on Civil and Political Rights further protects freedom of peaceful assembly and freedom of association, including the right to form and join trade unions, and provides that any restrictions on these rights must be prescribed by law and necessary in a democratic society in the interests of national security or public safety, public order (ordre public), the protection of public health or morals, or the protection of the rights and freedoms of others (Arts. 21 and 22).

The same obligations are further developed through International Labour Organization treaties, for example the Workers' Representatives Convention, 1971 (No. 135) that requires effective protection for workers' representatives and appropriate facilities for the performance of their functions (Arts. 1 & 2). Along the same lines, the Collective Bargaining Convention, 1981 (No. 154) requires Parties the promotion of collective bargaining, its extension to all matters covered by its definition, and prior consultation, and, whenever possible, agreement, on measures taken by public authorities to encourage it (Arts. 2, 5 and 7).

Within the development of international human rights law and its soft-law instruments, the UN Guiding Principles on Business and Human Rights provide that States must protect persons against human rights abuse by other parties such as firms, through appropriate policies, legislation, regulation and adjudication. This means that public authorities shaping business practices, including those responsible for corporate law and securities regulation, should act in a manner compatible with the State's human rights obligations, requiring

business human rights due diligence to involve meaningful consultation with potentially affected groups and other relevant stakeholders (Principles 1, 8 & 18).[15]

These human rights obligations are further reinforced by other international commitments, such as the 2030 Agenda for Sustainable Development, which sets concrete targets on decent work, equality and participatory decision-making. SDG 8 commits States to full and productive employment, decent work and equal pay for work of equal value (Target 8.5), as well as to the protection of labour rights, including freedom of association and collective bargaining, and safe working environments for all workers (Target 8.8). It also links workplace democracy to the reduction of inequality through wage and social-protection policies (SDG 10.4), sustainable corporate practices by companies (SDG 12.6), and responsive, inclusive, participatory and representative decision-making at all levels (SDG 16.7).[16]

By extending these commitments and structures across global value chains, it will combat "coercive comparison" and ensure wealth created in the Global South is not extracted by lead firms in the Global North, but is at the same time distributed more equitably inside the Global North and across the Global South.

Special procedures of the United Nations Human Rights Council have also made important contributions to framing the human rights implications of workplace democracy. For example, the former Special Rapporteur on extreme poverty and human rights has emphasized that States are expected to encourage and promote machinery for voluntary negotiation between employers and workers' organizations, ensure that collective agreements are respected, and guarantee access to collective bargaining for all workers, including precarious and platform workers. In this context, corporations should not rely routinely on casual labour for core business activities or engage in practices aimed at discouraging unionization, such as dismissals, threats of worksite closure, or reductions in hours or wages for unionized workers.[17]

Other experts, such as the Special Rapporteur on freedom of peaceful assembly and of association, have recommended measures directly linked to workplace democracy. Based on his expertise, he has recommended that States should ensure that these rights can be exercised inside the workplace by all workers, actively create an enabling environment for independent associations and trade unions, and require businesses to respect workers' rights, especially the right to take collective action and strike. The Special Rapporteur also called on businesses to refrain from anti-union practices and reprisals and to conduct human rights

[15] Report of the Special Representative of the Secretary- General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie. Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework, Annex, A/HRC/17/31, https://docs.un.org/en/a/hrc/17/31.

[16] United Nations General Assembly (UNGA), Transforming our world: the 2030 Agenda for Sustainable Development, A/RES/70/1 (2015).

[17] Report of the Special Rapporteur on extreme poverty and human rights, Olivier De Schutter, The working poor: a human rights approach to wages, paras. 30, 32 & 56, A/78/175, https://docs.un.org/en/A/78/175.

due diligence across global supply chains, supporting a model of firm governance in which workers have institutionalized voice rather than being treated as disposable labour.[18]

Finally, at the regional level, there exists a more developed framework, such as the European Social Charter (Revised, 1996), which expressly recognizes workers' right to be informed and consulted within the undertaking, as well as their right to take part in the determination and improvement of working conditions. It also recognizes the right of workers' representatives to be informed and consulted in collective redundancy procedures (Part I, Arts. 21, 22 & 29).

8. LITERATURE REFERENCES

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