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The impact of BLER on the corporate activity in the UE

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Abstract

Motivation: Since the 1970s, there has been recorded a significant scope of the employee representation in corporate governance bodies, as the earlier German solutions have been popularized in many European countries. Since then, there has been a discussion about the impact of this representation on the activities of companies, their economic results, their value, etc. The research conducted on this subject does not provide a clear answer on this topic.

Aim: The article aims to determine the impact of board level employee representation (BLER) on the activities of companies. The latest findings in this area, based on the results of empirical research shall be considered. New types of BLER impact on the value of companies in various phases of the business cycle and on preventing tax avoidance shall be presented. The objective of the article is also to provide the governments of particular countries with additional arguments in favour of introducing or expanding the institution of employee representation. In the longer term, these arguments should encourage the EU authorities to try to develop and adopt a directive on this subject, obliging member states to introduce or extend BLER.

Results: The controversy over the influence of BLER on the company's operations has not diminished. However, taking into account the entirety of such an impact (ideological, economic and social results), there has been an increasing number of arguments in favour of a positive assessment of such an impact. They are provided by the latest, extensive empirical research conducted on this subject, covering several dozen countries. They indicate that BLER has a positive effect on the stabilization of the company in times of economic downturn (recession), that it affects the adoption of a long-term development strategy by companies, etc. The research also shows that representation of the employees in boards prevents companies from tax avoidance. Its effectiveness correlates with the scope of such representation.

Keywords: BLER; corporate governance; tax avoidance; agency theory; stakeholder theory
JEL: G34; M54

1. Introduction

Works councils and employee representation in corporate governance bodies are the two institutions of employee participation definitely dominating in enterprises. The scope of those institutions, their role and position, as well as their impact on the company's operations are definitely varied. Works councils have earned a special directive, obliging individual EU countries to create such councils (Directive 2002/14/EC). National legislation is, however, quite diverse, as the Directive allowed for considerable freedom in their appointment. This is especially true of the so-called new EU countries, because in most other countries such councils had already been operating before. In general, however, the influence of works councils on strategic decision-making processes is quite limited (Höpner, 2007, p. 3). Their role in the enterprise is mainly reduced to influencing the process of implementing decisions already made.

Employee representation in corporate governance bodies has a decisively much stronger position. It is an important element of employment relations in the countries of the European Union. It is included in the so-called indirect forms of participation, because employees elect their representatives to strategic decision-making bodies of the company. It is the representation of the employees in these bodies that is the essence of the so-called BLER (board-level employee representation). In Western literature, BLER means "employee representation in any model of supervision as long as the employees have the right to be represented in the company's strategic decision-making body" (Munkholm, 2018, p. 1). The representatives of employees usually have the same powers as other board members and also have the same responsibilities. These representatives usually receive the same remuneration as other members of the board. In the West, they are often referred to as workers' directors. In our further considerations, we shall focus on the impact of BLER on selected aspects of the company's operations.

The representation of employees in corporate governance bodies had not become popular in the countries of Western Europe until the 1970s. Previously, such representation functioned only in the Federal Republic of Germany, where it had been first introduced in the iron and steel sectors in 1951, and then extended to all big companies (Waddington & Conchon, 2016, p. 19).

Despite the long-term internationalization of business in EU countries, corporate governance is still characterized by considerable diversity (Denis & McConnel, 2003). Institutions of this governance are usually defined by the appropriate legislation at the national level (Jackson & Deeg, 2008). National authorities decide on choosing one of two models of such governance: monistic or dualistic. Less frequently do they decide about the possibility of using both of these models by corporations. The first of these models treats corporate governance as a mechanism aimed at maximizing the value for the benefit of the shareholders. It is characterized by low concentration of ownership, liquid stock markets, a one-tier board of directors, a relatively high level of protection of the minority shareholders and the dominant role of institutional investors. This model is mainly found in Anglo-Saxon countries (Maxfield et al., 2018). The latter fact contributes to the model being sometimes also called the Anglo-Saxon one. It is used less frequently in EU countries.

The second of these models aims to maintain a balance between the interests of particular stakeholders. This means that managers take responsibility not only for the execution of the interests of shareholders, but also employees, customers, business partners, etc. This model is characterized by a small number of investors, and thus a high concentration of ownership, that allows shareholders to exert influence on the decisions taken. The corporate control market has less management influence than in the monistic model. This model is present in Germany and in many other European countries (Maxfield et al., 2018). It is also called the continental model.

The dualistic model favours employee representation in company bodies (Fitzroy & Kraft, 2005). The staff there is represented mainly in the supervisory board, less often in the company's management board. BLER is considered an important element of labour relations, to a large extent of decisive nature related to the democratization of work. It alleviates the effects of alienation to which employees are exposed due to social inequalities. It is also propitious for the employees to gain experience and develop (Müller-Jentsch, 2008). In the monistic model of supervision, there is no division into a supervisory and control body and a decision-making body. Both supervisory and decision-making functions are performed there by the board of directors, so representatives of the staff are rarely found in its composition.

The wide scope of BLER is attested by the fact that in 18 EU countries, the representation of the employees is statutorily guaranteed to participate in the company's bodies. Such law is not uniform, however, and the scope of such representation is most often determined by such factors as the company's ownership, the structure of the company's governing bodies, the size of the company, the strength and position of trade unions, etc. In practice, each of these countries has a different system of such representation, although there are certain similarities in some of the countries. In the literature, one can find various divisions of EU countries in terms of the scope of BLER (Gold & Waddington, 2019; Waddington & Conchon, 2016). Below, we have presented the division proposed by the authors, covering the following three categories: (1) a wide range of participation (Austria, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Hungary, Luxembourg, the Netherlands, Slovakia, Slovenia, Sweden), (2) limited scope of participation (Greece, Ireland, Poland, Portugal, Spain), (3) no participation (Belgium, Bulgaria, Cyprus, Estonia, Italy, Lithuania, Latvia, Malta, Romania) (Silva et al., 2022, pp. 467–468).

The study aims to determine the impact of BLER on the activities of companies, with particular emphasis on its new aspects, namely the impact on the company's value in particular phases of the business cycle and on preventing tax avoidance. The objective of the work is also to provide the governments of particular countries with arguments in favour of expanding or introducing BLER. These arguments should encourage the EU authorities to initiate work on the preparation of a directive on this subject.

2. Literature review

Authors who dealt with the issue of the influence of BLER on the company's operations differed in their views on this issue from the very beginning (Njoya, 2011, p. 274). Among them, there have been both are both its fervent supporters and determined opponents. The supporters have pointed to the benefits that BLER brings both to the company and its employees. They have emphasized (Fauver & Fuerst, 2006, pp. 673–701) that long-term employee represent a particular type of human capital deserving proper representation at the board level because of their being exposed to a residual risk similar to the one that the owners are exposed to. The long-term employees can actively monitor management activities, protect the staff interests and provide a channel for information flow between the staff and management (Roberts & van den Steen, 2000). According to some authors (Kleinknecht, 2015), greater diversity of the management board may result in an improvement in the quality of decisions made, especially those of a long-term nature.

The opponents of BLER, on the other hand, argue that instead of representing the interests of the company, the staff derived board members primarily represent the interests of their voters. For example, they protest against the reduction of employment, although it would be necessary to save the enterprise or increase its effectiveness. It is indicated that they are less prepared to work in the board in comparison with its other members. They rarely represent adequate knowledge in the field of law or economics, necessary for effective work within the board (Huse et al., 2009). They are blamed for delaying the decision-making process and lowering the quality of such decisions, as well as putting pressure on the increase of wages/salaries. All the above causes a growing conflict of interest between employees and shareholders, that results in an increase in agency costs (Faleye et al., 2006, pp. 489–510). The authors also argue that such perception of BLER may discourage investors from buying stocks in the relevant companies, since they investors may be wary of the results of their investments being intercepted by employees (Dammann & Eidenmuller, 2020).

The authors also differ in views on the impact of BLER on the economic results of companies. This impact is particularly criticized by American authors, who believe that the participation of employees in decisions is inconsistent with the principle of maximizing the value for the benefit of the shareholders, a principle consistent with the perspective of the agency theory, that is the dominant ideology of corporate governance in the monistic model of this governance (Lazonick & O'Sullivan, 2000). Meanwhile, the authors note that the influence of BLER depends on the composition of the board of directors. The presence of the so-called non-executive directors, who tend to be more receptive to the external conditions of the company's operations rather than to maximizing its value for the shareholders, is of importance here. Due to the asymmetry of information when compared to other directors, they are more interested in obtaining information from employee representatives (Gordon, 2007). It can also be noticed that the criticism of BLER usually intensifies in periods of economic difficulties or crises (Gold & Waddington, 2019, pp. 205–206).

The impact of employee representation on the economic performance of companies has been the subject of many studies, but here the results are not clear as well (Addison, 2009). The analysis of the results of 28 research projects on the impact of BLER on the economic performance of companies showed that in 11 of them a positive correlation was found, while in 7 — a negative one. No clear correlation was found in 10 projects (Conchon, 2011, pp. 16–17). Forcillo (2017) also reviewed the literature on this subject. He cites many studies pointing to the negative impact of BLER on company performance, while emphasizing that they were conducted from the perspective of the agency theory. On this basis, he makes a general conclusion that it is difficult to reconcile the conflicting interests of employees and shareholders.

More recent research on the subject, from the perspective of the stakeholder theory, views BLER more positively. The authors emphasize that employees participating in boards are more interested in increasing productivity and the functioning of the company in the long term than institutional investors who are focused on quarterly results. They try to protect their investments in company-specific capital, e.g. by accepting lower wages in return for reducing layoffs during a recession (Kim et al., 2018). Research has also shown that the presence of employees in the board means a higher rate of long-term investment as well as a higher rate of sustainability.

Fitzroy and Kraft (2005) point to the favourable results of BLER following their research that they carried out in German companies. They claim that increasing the representation of the employees in supervisory boards in large German companies from ⅓ to the parity system improved the economic results of those companies. This was confirmed by the research carried out by Renaud (2007). In his opinion, increasing such representation resulted in an increase in the productivity and profitability of German companies. Research conducted in Germany also showed that BLER had no negative impact on technological progress and innovation, although many employers feared such negative impact here (Kraft et al., 2009).

Research has also shown that BLER affects corporate social responsibility (CSR) as well. However, it is worth making a distinction here between 'internal' and 'external' CSR. In the first case, the practices applied in the company in relation to employees may be considered. Their representation in management may serve to protect employees against the opportunism of shareholders, as well as to plan the corporate pension more favourable to employees. The situation is less clear in the case of external CSR that concerns the external impact of the company's activities, e.g. pollution. The impact of BLER on external CSR often depends on the economic situation of the company. In case of its poorer results, representatives of the staff may accept, for example, decisions of the company that are harmful to the natural environment, if such decisions can improve the economic situation of the company. In a situation of good company results, the position of BLER is definitely beneficial for the environment (Gelter, 2016).

The presence of employees in company bodies is also considered in a different context. The authors refer to Williamson (1975), who believes that an effective management model cannot be created if the employee representation is imposed by law. The author claims that if such a solution had turned out to be effective, companies would have introduced it voluntarily. Jensen and Meckling (1979), who see no need to impose such solutions on companies, are of a similar opinion. They believe that co-deciding can be voluntary if employees are able to bring added value to the table. An attempt to verify this thesis has recently been undertaken by authors in research conducted in 30 countries (Silva et al., 2022). They have found that in countries without BLER legislation, companies where employee representatives were voluntarily members of the company's governing bodies achieved favourable economic results. The authors have added, however, that the scope of such participation was generally very modest.

3. Methods

In the opinion of the author, the political, ideological, economic and social factors have successively decided about the development of staff representation in corporate governance bodies. For political reasons, such representation was imposed in 1951 on the German iron and steel sectors. These sectors had previously worked closely with the Nazis. The wide, i.e. parity scope of employee representation in supervisory boards was to guarantee social control over the sectors. Such extensive participation of the staff in corporate governance turned out to be a beneficial solution for both the enterprises and the employees. In many other countries, this attracted the interest of social partners. The popularisation of BLER in the 1970s in many European countries was mainly of an ideological nature and meant the popularisation of democratic solutions in organizations. This was largely determined by the strong trade unions of that time that by organising strikes and protests, forced the governments of their countries to introduce BLER as a form of democratization processes.

However, these are the economic and social results that have been and shall continue to be decisive in the strengthening of BLER's position and its further development. Although not evident, the research results presented earlier demonstrate that, in general, the impact of BLER on the economic results of companies is positive. More recent studies have provided additional evidence for the occurrence of such an effect.

It can therefore be expected that BLER's position shall continue to strengthen that is supported by new arguments indicating its positive impact on the company's activity. Despite temporary difficulties and limitations, this process shall continue to be implemented, expanding its scope in countries where it has already been functional or including other countries without BLER. As mentioned before, the purpose of the study has been to provide additional arguments justifying further development of BLER, and its beneficial impact on the company's value in particular phases of the business cycle and on preventing tax avoidance. These arguments should encourage the governments of particular countries to introduce or extend the scope of BLER and should persuade the EU authorities to initiate work on the preparation of a directive on this subject.

To achieve this goal, the method of critical analysis of the literature on the subject has been applied. The analysis has been performed from the following research perspectives:
– agency theory perspective,
– stakeholder theory perspective.

The first of these theories became the dominant theoretical trend used to interpret and study corporate governance processes. Here, the so-called agency relationship is considered, where the owner (principal) engages the manager (agent) to provide services, delegating some decision-making powers to him. The principal rewards the agent, expecting the implementation of actions consistent with his interests in return. This theory assumes the occurrence of opportunistic attitudes, which means the possibility of the agent prioritising his own goals over those of the principals. In order to reduce such attitudes, the appropriate actions of the principal are required followed by certain costs, known as agency costs. Two types of such activities can be distinguished. The first activity involves a performance-based contract that brings the agent's and the principal's preferences closer, therefore motivating the agent to take specific actions. The second activity, the more expensive one, involves monitoring the agent's behaviour (Adamska et al., 2016, pp. 27–28).

Both types of activities force managers to achieve short-term goals of the company contradict the goals of BLER. In the conducted research, the perspective of the agency theory more often applies to the monistic corporate governance model. The result is that the impact of BLER on the company's operations is either not considered at all or it is negative.

In the stakeholder theory, a company is treated as a coalition of various groups of interest, i.e. stakeholders (employees, customers, suppliers, banks, local authorities, etc.). In this theory, the key role is played by the company's management controlling the decision-making environment. The managerial staff is not limited to being an agent, but also takes responsibility for relations with stakeholders. It implements the company's objective viewed as striving to achieve a balance between the often conflicting goals of individual stakeholders, including shareholders. In this theory, the key role is played by the company's board, whose tasks include working out compromises with individual stakeholders. Hence, the presence of their representatives in the board is recommended. Stakeholders who bring specific resources to the company are particularly important. (Adamska et al., 2016, pp. 30–33).

It may be concluded from the above that the stakeholder theory is more appropriate for studying the impact of BLER on the company's operations. This is determined by the presence of employee representatives in the board. Research conducted from the perspective of the board mainly concerns the dualistic corporate governance model. It allows, among others, to take into account the specific resources contributed by employees to the company.

4. Results

4.1. BLER's impact on the companies' value in various phases of the business cycle

The lack of consensus on the impact of BLER on the economic results of enterprises prompted the authors to conduct further research. One of the directions of the research involved attempts to determine the impact of BLER on the company value at particular phases of the business cycle. It was expected that in favourable period, companies with employee participation may be valued lower than non-BLER companies as profit-oriented investors may be afraid of slower decision-making taking place or may fear overcautious actions due to limited risk. It was also expected that in times of economic downturn or recession, this type of BLER impact becomes less significant, and even if there is a decrease in company value, it is smaller than in companies without BLER.

The participation of employees in decision-making bodies may make the management's reaction to the crisis more responsible. This may be so, since employees provide more reliable information, allowing more strategic solutions to be considered. Appropriate relations between the employee representatives and the company's management and the resulting work relations based on mutual trust may prevent social unrest (protests, strikes, etc.) and facilitate adaptation to crisis conditions. Employees are more interested in safe, long-term employment than in achieving higher short-term profits by the company.

Moreover, the representation of the employees may affect the time horizon of strategic decisions and the scope of the risk taken. Research shows that managers and shareholders easily fall into the trap of reinforcing each other's short-term expectations. Employee representatives may extend such a time horizon. This is because employees tend to invest in company-specific human capital, so they are interested in working in the company over the long term (Smith, 1991). Thus, they can exert pressure to avoid excessive risk, therefore ensuring the company's long-term stability. Hence, it can be expected that the participation of employees in decisions may decrease the stock market valuation of companies in favourable economic period, but may increase the company's resistance to emerging difficulties and stabilize its value in times of bad economic conditions.

This is confirmed by research conducted on a sample of 726 companies listed on stock exchanges in 17 European countries (Kleinknecht, 2015). The research covered the year 2006, i.e. before the financial crisis of 2007–2008, and 2008, i.e. at the end of this crisis. The mentioned author emphasizes here the fall of Lehman Brothers, considered to be one of the most important events of this crisis. His research shows that in 2006 companies with BLER were valued lower than companies without BLER, which did not mean that this principle was confirmed in every case. In 2008, the aforementioned crisis reduced their value only slightly, while the value of companies without BLER decreased significantly. This may mean that the presence of BLER has a positive effect on the long-term profitability of companies.

It should be strongly emphasized that BLER can effectively influence the adoption of long-term corporate policy by companies. This may be the result of balancing the pressure exerted by shareholders on short-term results. As we have already mentioned, employees are interested in safe and long-term work, not in the current valuation of their company. Such influence of BLER may also be interesting for those shareholders who are associated with a given company for a longer period. They may be interested in the companies avoiding excessive risk in favourable economic period and increasing the company's resilience to difficulties that arise during a crisis (Jackson & Petraki, 2011, p. 204).

4.2. BLER's impact on counteracting tax avoidance by companies

Recent years have seen an increase in the problem of tax avoidance by companies, that has resulted in lots of research being undertaken on this subject. Attempts have been made to identify the conditions conducive to tax avoidance, mainly at the level of companies, but also at the level of countries. Particular types of corporate governance and how they would allow companies to avoid taxes have been subject of research. However, it is only recently that attention has been paid to the role of BLER in this regard.

Tax avoidance is defined as both legal and illegal decreasing the payment of corporate tax (Dyreng et al., 2010). This is one of the most important problems of public policy today. Tax avoidance negatively affects the ability of governments to finance investments or public services. There has also been an increase in public interest in these issues, especially following reports of massive tax evasion by both corporations and private individuals. The issue of the so-called tax justice, as contrary to smaller companies or people with average income, large corporations and wealthy individuals have greater opportunities to lower their effective tax rates (Alstadsaeter et al., 2019). Although it is difficult to precisely determine the scale of the problem, the Tax Justice Network, for example, estimates the annual amount of such avoidance worldwide at around USD 500 billion. This is approximately 20% of the corporate income tax. OECD estimates are even higher, reaching around USD 600 billion (Crivelli et al., 2016). Research on this topic indicates a decline in the tax rate paid by corporations in recent years (Dyreng et al., 2017).

In further considerations, we shall examine the relationship between corporate governance and tax avoidance. Kovermann and Velte (2019) analyzed 79 articles related to this issue. The vast majority of them had been prepared from the perspective of the agency theory and focused on researching the relationship between stock owners and managers. According to the agency theory, the latter may take actions aimed at using the company's resources for their own benefit. Thus, they may be less interested in the company's financial transparency, especially tax transparency, and profit maximization. Also, owners may represent different interests in terms of risk or time horizon.

These articles practically ignore the impact of BLER on tax avoidance. This is unusual considering the fact that the employee representation in the company's bodies is statutorily sanctioned in most EU countries. The first two articles on this subject were published as late as in 2019 and concerned German supervisory boards. The research results presented in them showed that employee representation influenced the reduction of tax avoidance (Chyz et al., 2023; Gleason et al., 2019). However, due to the particularly wide scope of such representation in Germany, it is difficult to extrapolate the results of these studies to other European countries.

The results presented above encouraged the authors to conduct extensive comparative research on this subject. The most comprehensive survey so far covered 2,343 listed companies from 30 European countries, which accounted for 95% of the European stock exchange market (Vitols, 2021). The research covered the years 2012–2017. Financial companies were excluded from the study due to their different accounting system. The basis of the analysis was the amount of the so-called company-years (number of companies multiplied by the number of years of operation in the above-mentioned time scope). Research demonstrated that BLER was present in 22% of company-years.

In order to determine the impact of BLER on tax avoidance, the scope of this variable was divided into 3 parts, taking the number of employee representation in boards as the basis. The first group, 10% of company-years, included companies with employee representation from one person to less than ⅓ of the board. The second group, 7% of company-years, included companies with employee representation between ⅓ and ½ of the board members and the cases concerned such countries as Austria, Denmark, Hungary, Slovakia and Slovenia. The third, least numerous, part included companies with parity based employee representation. They accounted for 5% of the company-years and originated almost entirely from Germany.

Research shows that the presence of BLER in companies is generally positively correlated with reducing tax avoidance. However, the strength of this correlation varies depending on the scope of participation of the employee representation in the company's bodies. Out of the three ranges of the proportion distinguished above, the first one is the least effective. This means that the percentage of employee representatives that is lower than ⅓ of the board may, at most, only slightly affect the prevention of tax avoidance. Research has shown that the second of the above-mentioned scopes of employee representation is much more strongly correlated with counteracting tax avoidance. Hence, it may be concluded that tax avoidance may decrease with increasing employee participation in boards. The impact grows only slightly if the employees are represented in the board on a parity basis (Vitols, 2021).

As already mentioned, earlier, analyses conducted from the perspective of the agency theory were most often critical of BLER. However, later analyses carried out from the same perspective began to treat the representation of the staff in boards more positively, pointing to its impact on improving the quality of decisions made. This applies to its impact on limiting tax avoidance, for example, because such practices, if disclosed, adversely affect the company's reputation, even leading to its bankruptcy. Such influence of BLER may be in line with the attitudes of some shareholders who fear a decline in share prices (Kim et al., 2018). It may also help to improve the monitoring of managers. Other authors (Conchon et al., 2010) also point out to the BLER monitoring function, arguing that for employee representation, especially when there are only few in the board, obtaining information directly from the management is the matter of utmost importance.

While both in the agency theory and the stakeholder theory, the expectations regarding the discouragement of tax avoidance are similar, their mechanism of operation is different. While in the theory of the agency, the role of BLER is mainly limited to monitoring the behaviour of managers, and that can be done even with a small number of employee representatives in the board, in the theory of stakeholders the possibility of influencing the company's policy by the employees is emphasized, and this depends on the scope of such representation. Considering the fact that the representatives of the workforce never constitute a majority in the company's bodies, their influence on the decisions will depend on their ability to enter into coalitions with other corporate governance entities, such as shareholders, independent directors, managers, etc. According to the authors (Balsmeier et al., 2013), the probability of employees joining coalitions increases with the increase in the participation of employees in the council. Where a single representative of the employees in a large board has no chance of joining coalitions, a representation at the level of ⅓ does.

5. Conclusion

The above considerations have provide evidence that the presence of staff representatives in corporate governance bodies generally produces favourable economic and social outcomes. This does not mean, of course, that such results are achieved by every individual company. They are not always measurable, sometimes they are only visible in the long run. They depend on many factors, including the scope of such representation, the preparation of employees for work in the board, the atmosphere dominant in the company, etc. A lot depends on the employers who can influence such results by organizing, for example, training for employees that are board members, as well as taking their postulates or proposals seriously. Such an approach may result in the fact that the employee representation in the board will prove beneficial for both the company and its employees.

Research shows that more than shareholders or the management, it is the employees who are often interested in the company staying on the market. This may be related to the time horizon of their relationship with the company. If the average length of service of employees in European companies is around 10 years, the CEO holds his/her position for 5 years on average, and the standard period of shareholders holding to their shares in the company is less than a year. Extensive research on this subject has shown that employee representatives use their influence to neutralize the pressure on the short-term performance of the company, while supporting the policy of long-term activities in the company's best interest. Research has also shown that employee representatives treat both economic and social issues equally (Waddington & Conchon, 2016).

The above analyses lead to the conclusion that when compared to companies without BLER, companies with BLER are more resistant to changes in the economic situation and are characterized by greater stability of their operations or stability of their value. Democratic labour relations and the resulting mutual trust between employees and management allow the company to better cope with crisis conditions. This is due to the greater availability of precise information obtained from employees that allows for the consideration of a larger number of potential strategic solutions. It also allows for the moderation or avoidance of protests or strikes, especially in the initial periods of recession.

Such results of Board-Level Employee Representation translate into the stability of the entire economy, mitigating the fluctuations in the economic situation, the reduction of the number of bankruptcies including those taking place in times of bad economic conditions. The national authorities may also see another aspect of BLER's impact translated into the reduction of tax avoidance. The research showed unequivocally that the presence of employee representatives in the company's bodies curbs tax avoidance. It should be noted, however, that this effect is negligible with the presence of single employee representatives in the board. It definitely grows with an increase of the employee participation share to the level of ⅓, for example or to the level of parity.

Taking the above into account, the mentioned results can be expected to encourage governments of particular countries to extend the scope of BLER where it has already existed, or to introduce it in countries without BLER. The European Union may play an important role here by adopting a relevant directive obliging member states to apply BLER[1]. Confessedly, the previous attempts to adopt such a directive failed (Rudolf, 2020), but the chances of its adoption probably increased following the withdrawal from the EU by Great Britain that was the main opponent of the directive.

The dissemination of BLER may also be viewed in a much broader context. In his concept of "participatory socialism" that he presents in his latest book entitled *Capital and Ideology*, Piketty (2022, p. 1111) has given it a prominent place. In the book, he highly values Germanic and Nordic solutions regarding employee representation in corporate governance, because "they have encouraged greater worker involvement in shaping the long-term strategies of employers and counterbalanced the often harmful short-term focus of shareholders and financial interests." Hence, he considers it justified to have it "adopted without delay in other countries in its maximal version, with half the board seats in all private firms, large or small, given to workers." (Piketty, 2022, p. 1111). Considering the position of this author, one may expect that his proposal shall become the subject of wide discussion.

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[1] In the recent years, the EU has adopted 3 directives concerning employee participation, i.e. European Works Council (1994, amended in 2009), European Company Statute (from 2001) and the directive concerning the issue of informing and consulting employees (from 2002) (Gold, 2010).

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