

BOOK REVIEW**Varieties of Capitalism, Corporate Governance and Employees*

Shelley Marshall, Richard Mitchell and Ian Ramsay (eds)

(Melbourne Australia, Melbourne University Press, 2008) xii + 313 pages

Recommended retail price \$49.95 (ISBN 9780522855487)

Corporate governance has become an increasingly popular topic in recent years, with many academics (and others) professing to be experts in this area. By its very nature, it is an extremely wide-ranging and diverse subject, addressing concepts such as the responsibilities of corporations, the accountability of boards, the relationships between directors and shareholders, the nature and focus of corporate activity, and the role and interests of parties such as creditors and employees, and their importance in the corporate sphere.

Typically, discussions about modern corporate governance tend to focus upon tensions between 'shareholder primacy' and the move towards increased 'corporate social responsibility'. The concept of shareholder primacy places the profit-seeking interests of shareholders ahead of all others in the corporate decision-making process. However, many factors, including the impact of globalisation and concern about the effects of socially 'irresponsible' behaviour of corporations, have led to dissatisfaction with a view that shareholders' interests are always paramount, and have given an increased impetus to the corporate social responsibility movement. It can now be said that there is an increased willingness in recent times to consider a greater variety of persons and groups as 'legitimate stakeholders' of corporations, with interests that deserve consideration – such as employees, customers, suppliers and creditors, as well as local communities, developing nations and the environment.

Varieties of Capitalism, Corporate Governance and Employees focuses almost exclusively on one important aspect of the corporate governance debate – the nature of the role and interests of employees of corporations, and the impact of corporate governance on employment relationships, practices and issues. The editors of this book – Ms Shelly Marshall and Professor Richard Mitchell, both of the Department of Business Law and Taxation at Monash University, and Professor Ian Ramsay of the Faculty of Law at the University of Melbourne – have brought together a variety of authors who make many and various contributions on a range of topics relating to this central theme. As noted in the

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introductory first chapter written by the three editors,¹ the book draws together the work of corporate law and labour law scholars, comparative employment relations and human resources management academics and political economists.

In the preface to this book, we also learn that the papers which make up the various chapters were originally delivered at a workshop held in December 2006 in the Faculty of Law at the University of Melbourne entitled 'Corporate Governance and the Management of Labour: Australian Perspectives'.² ARC funding for a project entitled 'Partnerships at Work: The Interaction between Employment Systems, Corporate Governance and Ownership Systems' enabled the workshop papers to be further developed, resulting in the production and publication of *Varieties of Capitalism, Corporate Governance and Employees*.

The book is divided into three parts – Part I: Theoretical Approaches; Part II: Empirical Studies; and Part III: Corporate Social Responsibility and Regulatory Approaches – and each part contains a number of relevant chapters. Depending upon the reader's level of familiarity with the subject matter and their interests, the book can easily be read in order sequentially, or individual chapters may be dipped into periodically as time or inclination permits.

The scene is set in Part I, where alternative theoretical approaches relevant to this area are addressed and dissected. Four chapters – 'Varieties of Capitalism, Corporate Governance and Employment Relations under Globalisation'³; 'Partnership, Bargaining and Production in 'Liberal Market' and 'Co-ordinated Market' Economies'⁴; 'Legal Origin, Legal Families and the Regulation of Labour in Australia';⁵ and 'What is Labour Law Doing About 'Partnership at Work'? British and Australian Developments Compared'⁶ – explore a variety of contextual themes which influence and affect corporate employment relationships, including economic, historical, political and social considerations, in national and international settings.

The three empirical studies which make up Part II provide some of the most entertaining reading and Mark Westcott provides a particularly interesting review of the 'alignment of management and ownership interests' in Chapter 6.⁷ The detailed examination of a real-life situation concerning an Australian company, Tooth and Co, and the practical divergence between the interests of shareholders, directors and executive managers and the resulting conflicts which ultimately lead to the company being acquired by a corporate raider and its assets sold to

1 Shelley Marshall, Richard Mitchell and Ian Ramsay, 'Varieties of Capitalism, Corporate Governance and Employment Systems in Australia', 1.

2 Shelley Marshall, Richard Mitchell and Ian Ramsay, 'Preface', vii.

3 Nick Wailes, Jim Kitay and Russell D Lansbury, 'Varieties of Capitalism, Corporate Governance and Employment Relations under Globalisation', 19.

4 Richard Gough and Max Ogden, 'Partnership, Bargaining and Production in 'Liberal Market' and 'Co-ordinated Market' Economies', 39.

5 Meredith Jones and Richard Mitchell, 'Legal Origin, Legal Families and the Regulation of Labour in Australia', 60.

6 Richard Mitchell and Anthony O'Donnell, 'What is Labour Law Doing About 'Partnership at Work'? British and Australian Developments Compared', 95.

7 Mark Westcott, 'The Market for Corporate Control at Tooth and Co.', 133.

various competitors, makes interesting reading. It also offers an opportunity to consider the actual impact in real terms of the issues and concepts discussed elsewhere in this book. The results of a survey of a group of directors of Australian companies form the basis of the second empirical study – ‘Corporate Governance, Shareholder Primacy and the Interest of Employees: Evidence from a Survey of Australia Directors’.⁸ This study provides some thought provoking reading about the extent to which a sample of directors perceive their obligations as to serve the interests of shareholders, particularly if and when those interests are considered to be in conflict with those of the company’s employees. The third empirical study considers ‘What Do Company Directors Think about Partnerships Between Companies and Their Employees?’⁹ and again explores the views of a sample of company directors.

In Part III of this book, where the chapters focus on issues of corporate social responsibility, three key topics are addressed: ‘Does Socially Responsible Investment Influence Employment Relations?’¹⁰; ‘Do Australian Institutional Investors Aim to Influence the Human Resource Practices of Investee Companies?’¹¹; and ‘The Role of ‘Light Touch’ Labour Regulation in Advancing Employee Participation in Corporate Governance: The Case of ‘Partners at Work’.’¹² Each of these chapters provides an opportunity to consider the impact of recent developments in the corporate social responsibility sphere on a key area influencing the current debate.

There is a cohesive thread throughout the various chapters, unlike some edited books which commonly suffer a lack of a clear underlying theme or a clarity of progression. The book is more in the style of an academic monograph than a standard text, but has a thorough and clear treatment of its subject. One of the most valuable features of this book is its ability, despite its clear focus on the Australian position, to also offer a contextual approach through a consideration of relevant developments internationally, and to take into account global movements.

Varieties of Capitalism, Corporate Governance and Employees takes an original approach to its topic – indeed, it appears to be the only Australian published book exhaustively and exclusively addressing the concept of the complex inter-relationship between corporate governance and employment. It provides a comprehensive treatment of the relevant topics in a manner which addresses the key issues in both a practical and theoretical sense. Whilst some

8 Meredith Jones, Shelley Marshall, Richard Mitchell and Ian Ramsay, ‘Corporate Governance, Shareholder Primacy and the Interests of Employees: Evidence From a Survey of Australian Directors’, 158.

9 Meredith Jones and Shelley Marshall, ‘What Do Company Directors Think About Partnerships Between Companies and Their Employees?’, 188.

10 John Lewer, John Burgess and Peter Waring, ‘Does Socially Responsible Investment Influence Employment Relations’, 221.

11 Kirsten Anderson, Shelley Marshall and Ian Ramsay, ‘Do Australian Institutional Investors Aim to Influence the Human Resource Practices of Investee Companies?’, 245.

12 John Howe, ‘The Role of ‘Light Touch’ Labour Regulation in Advancing Employee Participation in Corporate Governance: The Case of ‘Partners at Work’’, 277.

underlying understanding or knowledge is often assumed, the book remains accessible and readable. For academics, students, practitioners and professionals with an interest in this broad-ranging aspect of corporate governance, this book will no doubt prove to be a useful reference source.