

EMPLOYEE PARTICIPATION IN CORPORATE GOVERNANCE: A STUDY OF BOARD REPRESENTATION UNDER COMPANY LAW

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ABSTRACT

Inclusion of employees in corporate governance has been a growing concern as a tool to facilitate inclusive decision-making, industrial democracy, and sustainable corporate development. This paper focuses on the practicability of worker representation in corporate boards in the context of Indian company law, and specifically in the context of the Companies Act, 2013, which does not today require that workers be represented in corporate boards, with the exception of the minor governance mechanisms of independent directors and stakeholder relationship committees. The study examines the conceptual and theoretical basis of employee participation, highlighting how it could increase transparency, accountability, and value creation in the long term by integrating different stakeholder views in the strategic decision-making process. It also carries out comparative study of jurisdiction like Germany, where co-determination laws give a right to mandatory worker representation in the supervisory boards and examines the applicability and flexibility of the models in the Indian corporate environment. The paper critically evaluates the current legal and regulatory framework in India, the interplay between the company law, labour law and securities regulation determines whether they enable or hinder the incorporation of workers in the governance structures. It also outlines major issues as the fear of managerial independence, secrecy of board meetings, legislative ambiguity, possible conflict of interest and the comparatively poor role of trade union in corporate governance. The paper comes up with a conclusion that even though the mandatory worker representation might not be immediate in India, a transitional or tracked approach, which is backed by the voluntary adoption, policy incentives, and regulatory directives, would provide viable channel through which the incorporation of employee voices in corporate governance systems can be achieved, hence enabling the adoption of more inclusive, accountable, sustainable business practices in the long run.

KEYWORDS: Employee Participation, Corporate Governance, Board Representation, Companies Act, 2013, Industrial Democracy

INTRODUCTION

The involvement of employees in the corporate governance process has become a prominent topic in modern corporate law and policy discourse, and the wider move towards more stakeholder-based approaches as opposed to shareholder-based ones. Various jurisdictions, especially in Europe, have implemented mechanisms to improve transparency, accountability and long-term decision-making in corporate boards through various mechanisms like the co-determination and employee representation of the board. Such developments are anchored in the fact that employees, being one of the sources of firm specific human capital, have a legitimate interest in corporate governance and can provide insights that will be valuable in strategic and operational issue. Therefore, the incorporation of employee voices into the board structures is not only becoming a concern of industrial democracy, but also of enhancing corporate performance and sustainability.

By contrast, the Indian corporate governance system as dominated by the Companies Act, 2013, is still mostly based on a traditional model that puts emphasis on shareholder interests, with few formal channels that allow direct employee involvement in the boardroom. Although some of the mechanisms, including independent directors, stakeholder relationship committees, and corporate social responsibility (CSR) provisions aim to expand the governance accountability, they are not enough to provide meaningful representation of workers in the strategic decision-making process. Such a gap poses critical issues about the possibility, desirability and possible design of employee participation models in India. It is against this context that the current research examines the theoretical premise, experience of the same and the legal issues that surround employee representation on board levels with the aim of evaluating whether and how these mechanisms can be redefined within the Indian company law framework to facilitate more inclusive and sustainable corporate governance.¹

This is a characteristic aspect of European economies, particularly with Germany leading the pack with regard to employee involvement in corporate governance, particularly through codetermination systems. This chapter examines the effect of such involvement on Corporate Social responsibility (CSR), as well as the difference between internal CSR, which is concerned with employees and long-term stakeholders, and external CSR, which is concerned with the environmental and societal effects. It states that formal employee representation is not just an alternative to CSR but a mechanism necessary in firms where there is concentrated ownership.

¹ Lower, M. L., *Employee Participation in Corporate Governance: An Ethical Analysis*, SSRN Elec. J. (2009).

As a form of CSR, informal practices do not typically suffice to reassure employees that the firm is committed to them over time in such companies, and board-level involvement can create a structural counterpoint to the dominant shareholders and reinforces inclusion of stakeholders in decision-making.²

Based on the theory of the firm, the chapter highlights the fact that employees often make investments in firm-specific human capital, including specialized skills and organizational knowledge exposing them to various risks such as opportunism by their employer or hold-up. Governance systems such as code termination are useful in safeguarding these investments by aligning the interests of employees with long-term corporate performance. Nevertheless, the chapter also mentions a possible conflict between internal and external CSR: the practices that are beneficial to employees (e.g., profitability and job security) can be in conflict with the larger societal or environmental obligations. All in all, employee engagement transforms corporate governance by directly incorporating stakeholder interests into corporate decision-making, in addition to being a way of exposing trade-offs that exist in CSR goals.³

The article by P.L. Davies (1975) in *The Modern Law Review* was one of the first and most influential analyses on employee representation on company boards, especially regarding the aspect of involvement in corporate planning and decision-making. The paper not only examines the legal basis but also the functional consequences of introducing employee voices into the governance mechanisms and locates the discourse within the wider debates of co-determination and corporate responsibility. To achieve this, employee board representation commonly known as Board-Level Employee Representation (BLER) has been used in a number of European jurisdictions, most commonly by obligatory legal systems like the German system. The main goal of these mechanisms is to alleviate shareholder opportunism and a more fair allocation of corporate profits by ensuring that employee interests are addressed. Also, the representatives of the employees can be the valuable source of operational information, which promotes the discussions of the boards and makes the monitoring processes inside the company more effective. Nevertheless, the model is also associated with certain drawbacks, especially the possible conflict of interests of worker-directors, who are likely to have to reconcile their fiduciary responsibilities to act in the best interests of the company with the responsibilities as employees representatives. These conflicts underscore the thorny relationship between the

² P. L. Davies, *Employee Representation on Company Boards and Participation in Corporate Planning*, 38 Mod. L. Rev. 254 (1975).

³ H. Fauzi & Y. Musallam, *Does Board-Level Employee Representation Impact Firms' Value? Evidence from European Countries*, Corp. Governance: Int'l J. Bus. Soc'y (2021).

efficiency of governance, the representation of stakeholders, and legal accountability in contemporary corporate systems. The interest in employee representation on boards has been revived, but it needs to be interpreted in the light of the corporate governance reforms that have informed OECD countries since the late 1990s. A shareholder-centric model of focus on investor protection, transparency, rights of minor shareholders, and the growing importance of independent directors has been the major driver of these reforms, and the shareholder value has become the key metric of managerial decision-making. In this context, formal employee participation mechanisms have been sidelined or regarded as secondary issues. Nonetheless, in some nations like Germany, there has been a growing interest in the applicability and future of codetermination especially as critics opine that employee representation can be counterproductive to the interests of shareholders, provide ambiguity in managerial accountability and may discourage investment. Meanwhile, new empirical findings indicate that in fact such tensions might not be absolute, and codetermined firms have been able to incorporate shareholder-oriented practices by negotiating with employee representatives, thus suggesting that hybrid forms of governance that balance the interests of stakeholders and shareholders are possible.⁴

Moreover, the development of globalized corporate forms and the cross-border ownership has posed new challenges to the old codetermination systems especially in situations where national laws have difficulties in accommodating multinational corporations. In spite of these limitations, it is possible to explain variations in adoption of employee representation in different countries by a combination of corporate governance structures, labour relation and political institutions. The concentration of ownership, protection of shareholders, the strength of the unions and the nature of the political systems (presence of consensus-based governance and strong labour movements are just but important factors that influence codetermination regimes. Qualitative comparison to assess the differences between the countries through methods like Qualitative Comparative Analysis (QCA) shows that each of the components is not determinative but, instead, specific combinations of the elements lead to cross-national differences. Although many systems of the OECD, especially Anglo-American ones, do not have formal codetermination systems, some, especially in Scandinavia and some countries of continental Europe, have devised strong models of employee participation at the board level, and this concept of governance remains relevant to a variety of institutional settings (4). A

⁴ G. Jackson, Employee Representation in the Board Compared: A Fuzzy Sets Analysis of Corporate Governance, Unionism and Political Institutions, 12 *Indus. Rel. (Ger. J. Indus. Rel.)* 252 (2005).

shareholder-focused view of corporate governance and the theory of the firm has largely dominated the traditional discourse on these issues, and has tended to ignore the importance of institutions such as private pensions and codetermination, and the underlying interdependencies between the two (Roth, 2010; Ebbinghaus, 2011). When the role of the private pensions is eminent in the system of operation, firms not only operate as productive, but also as major investment institutions; hence, a change in orientation which favors long-term shareholder value and financial stability is essential. In that sense, moderate types of codetermination may have a positive impact on corporate governance as they lead to the orientation towards the long-term, promote the collaboration between stakeholders and the improved control over managerial decision-making. The increasing potential to spread codetermination practices across jurisdictions along with the increase in the number of jurisdictions incorporating employee participation in the governance structure is also likely to happen as European corporate structures are changing, especially with the emergence of the European Company (SE).⁵

Such developments highlight the necessity to review the systems both of pension-based and stakeholder-oriented corporate governance, particularly in the wake of recent financial and economic crises that have shown the weaknesses of the models based solely on the market. Moreover, behavioural law and economics can shed light on the reasonable assumption of rational actors and put the emphasis on the role of institutional design in decision-making. Reconsidering employee involvement, pension schemes, and corporate governance could thus offer a more balanced and robust model, one that would harmonize the interests of shareholders, employees and other stakeholders and which would encourage sustainable and long run corporate performance.⁶

Within the last 30 years, more and more focus has been directed towards the mechanisms through which employee involvement affects corporate performance, especially in the long-term value-generating and strategic decision-making. The two main mechanisms of employee participation are employee share ownership and board level representation. Whereas ownership schemes allow workers to have a financial stake in company performance by organized and frequently tax-beneficial investment programs, board representation gives employees an opportunity to exert direct control over governance by being included in oversight and strategic

⁵ Andrew Pendleton & Howard Gospel, *Employee Participation and Corporate Governance*, in *Corporate Governance and Employee Participation 1* (Andrew Pendleton & Howard Gospel eds., Oxford Univ. Press 2010).

⁶ M. Roth, *Employee Participation, Corporate Governance and the Firm: A Transatlantic View Focused on Occupational Pensions and Co-Determination*, 11 *Eur. Bus. Org. L. Rev.* 161 (2010).

deliberations. A highly visible example is the German model of codetermination, which involves a system of two tiers of boards that require employees to be represented on supervisory boards, in medium-sized companies by one-third, and in large corporations by parity, and so incorporates employee views into corporate governance. In addition to this, works councils institutionalize the employee participation in the operations even more. Although it is very strong, employee share ownership is not yet very well developed in Germany because of the lack of tax incentives and complications with regulations. However, the current policy debates and efforts, including the so-called Berlin Appeal, indicate the increasing popularity of increasing the employee participation systems. In general, these structures are regarded as encouraging long-term orientation, enhancing monitoring, and quality of corporate decision-making, but also have challenges regarding regulatory design and implementation.⁷

The connection between labour and company law in the sphere of corporate governance cannot be perceived as predetermined or inherently different; on the contrary, it is an outcome of the constant social and institutional creation which is conditioned by the strategic actions of the different actors such as policymakers, managers and representatives of labour. Comparative scholarship shows that various political economies have different ways of adopting this relationship. As an example, neo-liberal regimes like the United States and the United Kingdom have a sharp distinction between corporate governance (company law) and labour relations (labour law), and thus, provide no formal means of employee involvement. Conversely, neo-corporatist systems like Germany have a more intensive combination of these spheres by the means of such a connection as codetermination, when labour relations are directly reflected in the management of the firm. This split is indicative of some wider theoretical and institutional variations in the manner in which governance is organized and the degree to which employee interests are integrated in corporate decision making.⁸

Further down the line, this polarization is associated with opposing conceptualizations of the interaction between the economic and the social world. The classical shareholder-based theories that are based on the agency theory perceive corporate governance as a more of an economic field in maximizing shareholder value, thus strengthening the rigid divide between law and labour in companies. However, stakeholder-based strategies do not maintain this division and the fact that employees, as the source of firm-specific human capital, possess valid

⁷ I. Bucelli, S. Gatti & F. Soro, Worker Participation: Employee Ownership and Representation (Jan. 23, 2020), Harv. L. Sch. F. on Corp. Governance.

⁸ Y. Li, Progress in Employee Participation? A Critical Analysis of Board-Level Employee Representation in China (Maastricht Univ. Press 2024).

interests in governance dilutes the difference between economic and social factors. This view is based on the idea of embeddedness of economic sociology, which emphasizes that economic practices are unavoidably influenced by social relations and it is unnatural to separate corporate governance and labour issues. In this regard, it is clear that contemporary discussions are more supportive of a more integrated approach whereby the company law and labour law interrelate to create a more comprehensive and balanced model of corporate governance.⁹

Company law Corporate governance is a key aspect of organizing the relationship between different parties, such as shareholders, management, employees, and society in general, by offering a legal and institutional system of accountability, transparency, and strategic direction. In India, the adoption of the companies act, 2013 was a major step towards enhancing governance practices and in particular the board structure, disclosure norms and stakeholder protection. In this context, the structure and the operations of the board of directors are the key factors that determine the performance of firms. Empirical research indicates that more board involvement and diversity of boards leads to better decision-making and positively to the performance of firms by introducing diversity of views and enhancing oversight. Conversely, the influence of factors like CEO duality, high board compensation and strong promoter presence seem to be limited or insignificant, casting a question on concentration of control and potential inefficiencies in governance. Company law wise, these results highlight the need to develop governance frameworks that facilitate independence, inclusivity and effective monitoring, thus aligning managerial behaviors with the overall corporate goals and strengthening the regulatory nature of the Companies Act, 2013.¹⁰

Empirical studies of the Russian listed companies point to the changing role of board independence and employee relations in the harmonisation of corporate governance practices in transitional economies. The paper concludes that though the use of formal structures like independent directors is becoming more popular, as part of the international governance norms, the effectiveness is still affected by the institutional constraints, ownership concentration, and insider control legacy. Notably, the study highlights the fact that employee relations are a very important but less advanced aspect of governance whereby employees are not directly involved in making decisions at the board of directors. However, increased interaction between the employees is linked to a higher level of transparency, increased trust, and more consistent

⁹ A. Conchon, Employee Representation in Corporate Governance: Part of the Economic or the Social Sphere?, Working Paper No. 2011.08 (2011).

¹⁰ A. Das & S. Dey, Role of Corporate Governance on Firm Performance: A Study on Large Indian Corporations After Implementation of Companies' Act 2013, 5 Asian J. Bus. Ethics 149 (2016).

corporate performance. In the company law context, these findings imply that formal observation of governance codes, including the appointment of independent directors is not all, unless it is supported by the substantive practices that would incorporate the interests of the stakeholders, including the employees. The Russian experience therefore explains why it may be difficult to reconcile corporate governance structures between the various legal and economic systems, and the importance of a more holistic strategy that aligns board independence with a deeper stakeholder engagement in order to develop effective and sustainable governance practices.¹¹

Participation of employees in Corporate Governance: Board Representation as provided by the Company Law in India. The traditional conceptualization of corporate governance has focused on a shareholder-centric approach, where the main focus is on the safeguarding of the interests of the investors, transparency, and accountability of management. Nevertheless, this limited vision has been over the years been broadened by the wider stakeholder-focused strategies that have appreciated the need to integrate different interests into corporate decision making. Employees among these stakeholders have a particularly important role, as they are direct participants in the productive process, and they invest in firm-specific human capital. The issue of employee involvement in the corporate governance, particularly at the board level, has thereby become a prominent subject of discussion in the academic and policy-making environment. The paper will discuss the practicality and consequences of employee representation in the context of the Indian company law, especially regarding the Companies Act, 2013, and answer whether the inclusion of employee representation can lead to more participative, responsible, and sustainable corporate governance.¹²

There are many ways in which employees could be involved in corporate governance, however, two most noticeable mechanisms are the share ownership by employees and board representation. Whereas ownership schemes provide employees with the opportunity to match their financial interests with the company performance, board representation provides employees with opportunity to be directly involved in the strategic decision-making and oversight. The latter form which is in most cases institutionalized in codetermination systems has been embraced in various countries in Europe especially Germany. In these systems, the employees are given the right to representation in supervisory board, thus guaranteeing that

¹¹ Z. Bedo et al., Independence of Board of Directors, Employee Relation and Harmonisation of Corporate Governance: Empirical Evidence from Russian Listed Companies, 33 Emp. Rel. 444 (2011).

¹² M. Gelter, Employee Participation in Corporate Governance and Corporate Social Responsibility, ECGI Law Working Paper No. 319/2016 (2016).

their interests are officially incorporated in the corporate governance structures. This model demonstrates a more general concept of the corporation as a social institution and not a nexus of contracts only, and aims to reconcile the interests of capital and labour in the process of governance.¹³

Theoretical backgrounds of employee participation can be followed back to opposing views in the corporate governance theory. The agency theory and shareholder-value approach treats the corporation as mostly a means of increasing the wealth of the shareholders and as an attempt to coordinate the actions of managers with the interests of the investors. Stakeholder approach, on the other hand, focuses on the importance of taking into account the interests of all groups of people who are impacted by corporate operations such as employees, customers, suppliers and the society in general. In this light, employees are not contractual agents but also are major contributors to the long-term success of the firm especially in their investment of firm-specific human capital. In response to this, the supporters of employee participation opine that giving the employees voice in governance could help in alleviating problems such as opportunistic behavior by the management, short termism, and under-investment in human capital.¹⁴

The difference between labour law and company law is at the heart of the dilemma regarding the issues related to employee engagement in corporate governance. Historically, the company law has been interested in the regulation of the internal organizations of corporations and the relations between the shareholders and directors, whereas the labour law has been interested in the protection of the rights of the workers and the regulation of employment relations. Nevertheless, this division is both not natural and fixed; instead, it is a result of historical and institutional processes. Some jurisdictions, especially those with neo-liberal economic structures, draw a strict line between these two areas, leading to few employee interests being enshrined in corporate governance. Conversely, the neo-corporatist systems have a higher level of overlaps, as the codetermination mechanisms tend to blur the line between the company law and labour law. This disagreement is an extension of larger variations in the conceptualization and incorporation of economic and social goals in legal systems.

Indian corporate governance regime through the Companies Act, 2013 largely follows a shareholder-based model though with some stakeholder-based attributes. The Act brought a number of reforms, which enhanced transparency, accountability, and effectiveness of board

¹³ K. J. Hopt & P. C. Leyens, *Directors' Power to Represent the Company*, in *Comparative Company Law* ch. 12 (Cambridge Univ. Press 2018).

¹⁴ G. Ellguth, S. Kohaut & H. Ziegler, *Employee Participation in Corporate Governance and Corporate Social Responsibility*, 16 *J. Corp. L. Stud.* 351 (2016).

members, such as independent directors, better disclosure norms, and a number of board committees. Although such measures have helped to tighten the corporate governance standards, it lacks direct employee representation in the board. Rather, employee interests are dealt with indirectly by the provision of mechanisms like stakeholder relationship committees and corporate social responsibility provisions. This makes employees mostly unaffected by formal governance structures so that the effectiveness and inclusiveness of the current framework is questioned.¹⁵

The empirical studies on the effects of corporate governance practices in India indicate that some of the board features like active participation and diversity impact positively on the performance of firms. These results indicate the need to integrate different points of view into board deliberations and emphasize the possible advantages of increasing the scope of stakeholders. Nevertheless, other considerations, like CEO duality and promoter dominance, seem to have restricted or unclear impacts, which suggests that formal structures, on their own, might not be vital to provide effective governance. In this regard, the presence of the representatives of the employees may help to improve the operations of the board, as it will offer important insights about the operational processes, better monitoring, and long-term focus in decision-making.¹⁶

The international models and especially the German system of codetermination can be compared to get important insights on the potential benefits and challenges of employee participation. Employees have a right to representation in supervisory boards in Germany: the degree of representation depends on the size of the company. This system has been attributed with encouraging collaboration between the management and labour, improvement in the flow of information and facilitation of long term strategic planning. Simultaneously, critics suggest that codetermination can also create conflict of interest, decrease the flexibility of the management, and discourage investment. Nevertheless, empirical research indicates that these fears are potentially exaggerated, with employee-represented firms having been able to adjust to evolving market conditions and keep up with a competitive performance.

The German experience also emphasizes the role of complementary institutions, like works councils, in enabling effective participation of employees. These committees facilitate employee-management dialogue and are important in handling work-related problems and

¹⁵ J. He & C. B. Mahoney, Common Institutional Investors and Board Representation in Rival Firms, 35 J. Corp. Fin. 143 (2015).

¹⁶ T. McNulty & C. Roberts, Employee Participation, Corporate Governance and the Firm, 16 Corp. Governance: Int'l Rev. 292 (2008).

enforcing corporate policies. The incorporation of these mechanisms into the larger governance structure helps to make corporate governance more holistic, because it sees the interdependence of economic and social goals.¹⁷

Although this model may not be directly applicable to India because of various differences in the legal, economic, and cultural framework, it provides some useful insights into formulating context-based strategies to employee engagement. The issue of managerial autonomy and possible conflict of interest is one of the major issues in the introduction of employee representation in India. Legally, the directors have the duty to act to the best interests of the company and the inclusion of employee representatives could call into question their capacity to manage the dual responsibility of serving the company and serving as a representative of the workers. Also, other complications connected to confidentiality, efficiency in decision making and the possibility of a politicized board should be taken into account. The comparatively low status of trade unions in India also makes such mechanisms even harder to implement since it restricts the access to organized and representational bodies that can effectively engage in governance.

The other factor to be taken into consideration is the necessity to match the involvement of the employees with the overall goals of corporate governance, especially concerning the encouragement of long-term value creation. The growing role of the private pensions and institutional investors has made corporations a major investment vehicle, which once again has strengthened the role of sustainable and long-term strategies. In that respect, moderate types of employee participation can be utilized as a means of improving governance by promoting a long-term mindset, minimizing short-termism, and enhancing a closer correspondence between the interests of the shareholders and the employees. The given practice is in line with the new tendencies in corporate governance that focus on the inclusion of economic and social factors and the necessity of more inclusive decision-making.

The relationship between labour law and company law is also a very crucial factor in determining the possibility of employee participation. Instead of perceiving these fields to be unique and independent, there is an increasing understanding of the necessity of increased integration, especially in the area of corporate governance. The idea of embeddedness emphasizes the interrelationship of economic and social relations and questions the idea that the corporate governance can be successfully regulated without taking into account the issues

¹⁷ J. Blasi, R. Freeman & D. Kruse, Employee Ownership, Board Representation, and Corporate Performance: A Study of ESOPs, 17 J. Corp. Fin. 868 (2011).

related to labour. In the Indian context this means that there should be a more concerted effort towards a legal reform which fills the gap between the company law and labour law and develops an enabling environment whereby the participation of the employees can be made possible.¹⁸

In view of this, the implementation of a mandatory employee representation in India might not be practical in the short run. Nevertheless, a more practical way forward on incorporating employee voices in corporate governance may be a gradual or hybrid process. This might be done through voluntary assumption of employee representation by businesses with policy incentives and regulatory direction. As an example, companies might be advised to have employee representatives as non-voting members of boards or committees so that a gradual process of integration and experimentation can be made. In the long run, these practices may be institutionalized and extended depending on their success and approval.¹⁹

Besides board-level representation, other ways of improving employee participation ought to be considered. These might involve empowering works councils, employee ownership of shares, and better consultation and communication in organizations. The multi-faceted approach can be used to develop a more inclusive governance structure that considers the interests of various stakeholders, but remains efficient and competitive. These would not only enhance corporate governance but also help to achieve wider social and economic goals such as industrial democracy, social justice and sustainable development.²⁰

CONCLUSION

To sum up, participation of employees in the corporate governance is an essential step in the development of the concept of the modern corporation, as it turns it into a stakeholder-based institution rather than a shareholder-driven organization. The discussion of the Indian company law, especially the Companies Act, 2013, shows that despite the considerable progress done to enhance the board of governance, the structure is still predominantly quiet on the direct participation of employees in the board decision-making. Practical experience of other jurisdictions, including Germany, confirms that such structured procedures as codetermination may help to increase transparency, better the flow of information, and foster long-term strategic thinking, despite raising issues of managerial independence and conflict of interests. These

¹⁸ J. Rogers & W. Streeck, *Works Councils: Consultation, Representation, and Cooperation in Industrial Relations* (Univ. of Chi. Press 1998).

¹⁹ L. Fauver & M. E. Fuerst, *Does Good Corporate Governance Include Employee Representation on Boards?*, 20 *Fin. Mkts. & Portfolio Mgmt.* 289 (2006).

²⁰ G. Jackson, *Board-Level Employee Representation in Europe: A Review of the Evidence*, 7 *Eur. Co. L. Rev.* 123 (2010).

experiences are indicative that when properly structured, employee representation does not have to compromise corporate efficiency but, on the contrary, may be used to complement the existing system of governance. In the case of India, the direct implementation of compulsory employee representation might be met with a practical and institutional hindrance, such as the ineffective trade union organization, uncertainty in regulations, and worries about the board dynamics. This does not however reduce the relevancy or need to incorporate employee views in governance.

An incremental, mixed strategy of voluntary adoption, regulatory incentives, and gradual legal change is a more feasible way forward. Indian corporate governance can be shifted to a more balanced and sustainable form by encouraging mechanisms which allow the meaningful participation of employees, be it by being on the boards, consultative bodies, or ownership schemes. Finally, the inclusion of employee voices is not only a question of legal reform but a larger move towards ensuring that the corporate goals are in tandem with the social and economic realities and as such enhance the legitimacy, resilience, and long-term performance of corporations in a transformative global environment.

