TUAC trade union advisory committee to the
OECD organisation for economic cooperation and development
■ CSC commission syndicale consultative auprès de
OCDE l'organisation de coopération et de développement économiques

Trade Union Seminar
"Financialisation – the needed regulatory response"
Paris, 16 March 2007

Room documents, statements and papers on financialisation of the economy and/or private equity

Indicative list
(as of 12 March 2007)

ETUC

"The Challenge of the New Capitalism" Speech by John Monks, ETUC General Secretary, Aneurin Bevan Lecture, London, 14 November 2006

TUAC affiliates

Investor Protection and Corporate Accountability (press release & statement), AFL-CIO Executive Council (USA), 6 March 2007

Time for action against private equity excess, Trades Union Congress (UK), 20 February 2007

Flyer des Netzwerks Private Equity, IG Metall (Germany), 2006

"Financial investors: knights in shining armour or robber barons?" Report by Torsten Müller (University of Applied Sciences, Fulda-Germany) on two workshops held by IG Metall and the Hans Böckler Foundation, October-November 2006

Mobiliser les moyens financiers des entreprises au service de l'emploi, des salaires et de l'investissement productif, Nasser Mansouri-Guilani, Analyses et Documents Economiques – n°104, CGT (France), , Janvier 2007

Conséquences économiques et sociales de l'évolution des marchés financiers – Document de travail soumis au Conseil économique et social européen, Oliver Derruine CSC (Belgique), Février 2007,

Global Unions Federations

Presentation to trade union sponsored labour MPs on private equity and leveraged buyouts, Peter Rossman, , IUF, 27 February 2007

Speech by Philip Jennings (General Secretary of UNI) at the World Economic Forum, 26 January 2007

International Unions Call for Stricter Regulation of Private Equity Buyout Funds, Joint statement by IUF, UNI & IMF, 17 November 2006

Financialization: new Routes to Profits, New Challenges for Trade Unions, Peter Rossman & Gerard Greenfield (IUF), Labour Education, ILO Bureau for Workers' Activities 1/2006 n° 142

Introduction by:

John Monks

General Secretary
of the
European Trade Union Confederation

The Challenge of the New Capitalism

London, 14 November 2006

To be checked against delivery

JM/cd

Those of you who knew Aneurin Bevan can probably guess his likely reaction to my choice of the title tonight.

Capitalism was capitalism to Nye. It was enduring and unchanging. It was the South Wales coalowners, it was the slave traders, Cecil Rhodes and other rapacious exploiters of working people in the Empire and at home. It was greed and selfishness, the drive for money dominating and twisting all other human motivations. Bevan was often a lot more sophisticated then he might have be at a NUM weekend school giving the above speech. He

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appreciated the good things of life in full measure – even having at least a touch of what the French call ‘un socialiste caviar’.

But I don’t think he would have taken easily to a concept of the new capitalism. Many things do remain the same but my thesis tonight is that capitalism has changed in very important ways and that the Left generally has few intellectual, philosophical or political answers, at least as yet. It therefore warrants the use of “new” and the formulation of a new strategy to deal with it. My purpose tonight is to encourage others to pursue these questions.

Since the collapse of communism under its own internal contradictions, capital has the whole world, more or less, at its feet. It can go most places seeking the best returns. It is afraid of nothing – there is no competing system which threatens its expropriation. This struck home to me vividly when Bill Clinton visited Vietnam towards the end of his Presidency. You won the war observed Clinton wryly but, now, to survive, you are observing the rules of world capitalism.

There is still protectionism in many parts of the world. I was interested last week to see that even in the open economy of Sweden, the Wallenberg family and its foundations, which act as a holding company for several of the big Swedish multinational companies, are being accused of protecting Scania, the truck manufacturer against a German takeover. Not everyone is allowing the new capitalism a clear run but the pressures are on.

You can see it in rising levels of inequality. If you work in the global economy, especially in its financial sectors, rather than manufacturing, chances are you are doing well. Exceptionally well, if you are at executive level.

On the other hand, the new workshop of the world is China and it is being followed by other developing countries with inexhaustible supplies of cheap labour – and access to capital. The impact on some sectors of the UK economy like textiles and footwear has been devastating.

Most of all, you can see it in the operation of financial markets. Since the 1980s, changes in regulation and technological developments have led to huge changes in the way financial markets work, the role of banks, and the rise of new investment forms. The City view is that this trend is almost wholly beneficial, moving financial markets closer to the ‘perfect competition’ and optimal outcomes. At most there is concern about two issues: illegal activity (fraud etc) and possible systemic risk. However, recent developments point to a whole series of concerns, including accounting scandals: the cases of WorldCom, Enron and others have shown that market mechanisms combined with existing auditing rules and regulation are inadequate to protect investors, workers and pensioners against the risk of fraud. This is new rootless capitalism without any geographical responsibilities, as shown for example, by HSBC hinting, threatening, that it might relocate its headquarters outside the UK.

Stock options are also a concern. One increasingly popular method to align shareholder and managerial interests has been for the former to grant the latter stock options. This has created huge incentives for managers to pump up stock prices. This encourages short-term thinking on the part of managers. Costly, long-term investment projects (including R+D) are likely to come under increasing pressure to produce fast results or be abandoned.

Pressure from pension funds is also a recent phenomenum. The general pensions crisis plus the increasingly market-driven pension system in a number of countries (competition to generate higher returns) is increasing the 'activism' of pension fund managers. They are increasingly investing in riskier assets (notably hedge funds). They are increasing the demand for returns made from investments in productive companies, depriving the latter of resources, and are restructuring their portfolios more frequently, reducing firms' certainty with regard to future funding. (On average investment funds hold stakes in German companies for less than 2 years). Many of us with pensions are also shareholders and we should worry that pensions are getting shakier as this new capitalism, which is supposed to act for us, grows in strength.

Private equity funds are also a big concern: Their most damaging strategy (asset stripping) is to buy up companies whose share price has, for whatever reason, fallen below the value of its assets. The latter are sold off at a profit. Fund managers grow rich while (good) jobs are lost and established companies (with consensual industrial relations systems) are destroyed. In other cases firms are bought up and then 'restructured', before being sold off at a profit. The wider economic impact of such practices depends, of course, on the nature of the restructuring carried out. The German bathroom equipment producer Grohe is an example of a successful company systematically run down by successive takeovers. There are many British examples. What is certainly the case is that PEF involvement is almost always highly leveraged. In other words the buy-out is debt financed: the purchased firm becomes responsible for servicing these debts. Woe betide Manchester United if it ceases to be able to attract full houses at Old Trafford.

The consequent drive for higher returns inevitably exerts downward pressure on wages and conditions. Even where jobs are not lost, private equity owners are perceived to be less interested in the longer-run and more technical issues of the particular branch of production, and much readier to challenge existing norms, procedures and structures, especially those relating to workers, unions, and works councils. That in turn threatens workers' commitment to the company for which they work, their willingness to invest in firm-specific skills etc. Not much scope for partnership working there.

Costly defensive strategies are also of concern. The potential damage from hedge funds is not limited to actual takeovers; the pressure to avoid hostile takeovers forces incumbent management to take actions that bolster the firm's share price in the short run (including postponing investment, making workers redundant) with damaging effects on the longer-term performance of the company. It cannot be easy running a firm doing difficult things when you are up for sale every day and every night of every year.

Banking finance is changing. In many European countries banks with close links to 'their' industrial companies have traditionally been the main channel of external finance. In addition, in some, publicly owned (and various forms of cooperative) bank were important. This model was characteristic, in particular, of Germany, Austria and other successful economies into the 1980s (at that time it was widely held in the English-speaking countries to be a superior system to our Anglo-Saxon model).

However, more recently these countries have moved towards a greater role for stock markets (equity finance) on Anglo-Saxon lines, reflecting, not least, the perceived, recent superior performance of these economies. This breakdown of close bank-company relations has caused major problems, especially in Germany where small and medium enterprise in particular have faced a credit crunch. The existence of public banks – criticised by the orthodoxy for alleged inefficient capital allocation – also enabled broader regional development aims to be pursued and inter-company linkages to be taken into account in lending decisions. In addition such lending is much less pro-cyclical and, last not least, government guarantees effectively reduced the cost of capital. Yet the pressure is on to wipe out public-sector banking in Europe.

I plead guilty to being one of those who underestimated the impact of the changes. Some of you will remember that when I became General Secretary of the TUC in 1993, I put promoting workplace partnership at the centre of the TUC's programme for the future. I did not fully appreciate what was happening on the other side of the table. Indeed until my daughter's boyfriend got a job with a hedge fund, I did not appreciate fully what a hedge fund did. After his explanation my first question to him was "Joe, is it legal?"

The concept of partnership with capital was not one Bevan would have warmed to – and plenty of other trade unionists feel the same way. To them, partnership is class collaboration, sleeping with the enemy. To others, if partnership was just at workplace level and not in the strategic commanding heights of the economy, it was an unequal partnership. "Like one man and his dog" sniffed one critic.

But my motivation was rooted in experience of the successful post war reconstruction process in many European countries, underpinned by partnership between unions and employers. Sometimes it led to effective incomes policies with wider collective bargaining agendas than the UK. Often it had produced more successful, higher productivity companies in sectors where our companies were failing.

I was also struck on my many visits to British workplaces by how much shop stewards and workers wanted their companies to be successful; and not just because the penalties of failure were evident in the high levels of bankruptcy and unemployment which characterised the 1980s and early 1990s. They wanted to be proud of what they did, of the successes they had achieved. Few just recited a list of problems and grievances.

So partnership deals, based on mutual respect, with high productivity swapped for commitments to train workers and maintain employment, or at least avoid compulsory redundancy, were our cause.

It was not original: earlier advocates had included Bill Jordan, John Edmonds, and, I suppose, Eric Hammond, although his no strike clauses did much to discredit the term partnership.

As many of you know, the TUC set up the Partnership Institute, the Labour Government followed with the Partnership Fund and various others like the IPA continue to spread the word.

But my question now is - partnership with who? And what has been happening on the management side?

Some partnership companies have thrived. Tesco and Barclays Bank have prospered and attribute some of that to their improved industrial relations arising from partnership deals.

Others have disappeared, tragically Rover whose "New Deal" was an early pioneer of partnership agreements. Many others have been absorbed into multi-national companies with worldwide reach and brands, often with no UK ownership involved.

One thing is for sure – the changes in company structure have been rapid and profound and the challenge for unions is often identifying who the partners are, - or if like Bevan you don't like the word "partners", who should we be negotiating with? Have we any allies and pressure points? What is the union future under the new capitalism?

These are key questions to address tonight.

Take a glance at the UK economy. Some have used the term "Wimbledonisation" – that is, we provide a good location but the top prizes are won by foreigners. That is not wholly accurate in relation to every part of the economy but when you look at foreign ownership of investment banks and many other major financial and professional services companies; at the utilities, carplants and airports; at the current sales of Corus and Scottish Power; at the current hawking round of our biggest manufacturer, British Aerospace, to American buyers, a picture emerges, outside pharmaceuticals and petroleum, of foreign companies owing much of the commanding heights of the British economy – not to mention Manchester United and Chelsea, the current commanding heights of the Premier League. There is, we have learned, a price for everything.

I often muse - where are the nationalist parties on this 'clear out' sale of British assets? Where are the Conservatives and UKIP when we need them? They have a lot to say when there is the merest hint of a little more shared sovereignty at European level. But on the unfettered sale of our key national assets, they are dumb. Or possibly they have friends earning handsome fees arranging the sales. (Not quite Bevan's famous "vermin" speech at Belle Vue, Manchester but a little Bevanite touch that).

Apart from selling our commanding heights, we have the onward march of shareholder value and its importance in setting executive remuneration. Time was when executives' rewards bore some relation to those of other employees and they were in the same pension fund. These links have gone, and, among other things, it is contributing to the weakening of many pension funds for employees.

Executive pay rose 28% last year. Incomes Data Services recently reported that never in its 15 years of monitoring executive pay have so many earned so much. Until recently I had not realised how much time and energy some boards spent on setting their own remuneration and incentives. Of course, they are negotiating with themselves and when you are in that position, you find it easy to give yourselves the benefit of every doubt. Comparability may have less relevance to most workers than it used to, now we are in a low inflation era. But it is still a potent principle in the boardroom. "Make sure we stay in the upper quartile" is the campaign slogan but they have no need to put it on a banner and take to the streets. They seem oblivious to how this makes them appear to the rest of their work forces. More and more they resemble the Bourbons – and they should be aware of what eventually happened to the Bourbons. This shameless attitude contrasts incidentally with what is happening in Germany where Siemens have cancelled a 30 % executive pay increase after a debacle with the sale of their mobile phones business. It would not have happened here.

Optimists hope that all this will be contained by better informed, more active shareholders. After all, today's shareholders are largely pension funds and life insurance companies and mutuals, seeking to get as high a return as possible for members, for us, and millions like us. They hope that our values will put pressure on the tycoons and boardroom titans to behave responsibly and improve governance.

I have to hope that they are right, and I recognise the sincerity of some people in this field, but I cannot help but notice that some investors who are proud to work to a corporate social responsibility agenda can also be the toughest seekers of high returns. Thus the world's largest pension fund is switching more and more over to hedge fund investment. The Californian Public Employees Retirement Scheme recently won approval to invest up to 25% of its portfolio in hedge funds. Railpen, the UK rail fund, has invested £ 600m and Sainbury's has trebled its exposure to hedge funds.

Of course, as Janet Bush said recently in the New Statesman, hedge funds are not new, just notorious. They have been around since the late 1970s. But their scale is accelerating and the funds they manage are equal to the GDP of the eighth largest economy in the world – Brasil.

Yet how many of us have much understanding of what a hedge fund is? Here is a definition from "Google"

"The term hedge fund has come to mean a relatively unregulated investment fund, often a partnership rather than a corporation in form, and characterized by unconventional investment strategies (ie., strategies other than investing long only in bonds, equities or money markets).

"Hedge funds use alternative strategies such as selling short, arbitrage, trading options or derivatives, using leverage, investing in seemingly undervalued securities, trading commodity and FX contracts, and attempting to take advantage of the spread between current market price and the ultimate purchase price in situations such as mergers. When strategies become extremely complex hedge funds may acquire potential and unanticipated risk of catastrophic losses."

Other relevant facts – they are attracting many of the nation's best young science brains on the promise of fabulous rewards. They are often based in tax havens. Most of the world's most prominent banks run such funds in conjunction with more orthodox activities. And they are looking for quick returns – around 15% pa. National regulators do not know what to do and are fearful if they do anything, the funds will emigrate entirely. The German Vice Chancellor, Franz Müntefering called them "locusts". He was right.

It should be the European Commission which takes this on if nation states are too timid to do so. But the EU internal market commissioner, Charlie McCreevy recently ruled out new rules, saying hedge funds played a crucial role and put the "fear of God" into company boards – for the benefit of all – he claimed. It is the Americans, burned by huge financial scandals who look at least a little more likely to act. What is evident is that no-one in the UK is facing or dare face the challenge – and something like 70% of Europe's hedge funds are London-based, except of course for tax purposes; 80% of the world's hedge funds operate from the Cayman Islands as regards tax.

I have concentrated on hedge funds and their bewildering array of variations to indicate how powerful the financial services sector has become. But if hedge funds are the Provisional Wing of the sector, then there's plenty of more mainstream players contributing to the situation of debt financed, casino capitalism, with public companies, unless very strong, being chips on the gambling tables.

For trade unions we know that this capitalism, when it penetrates sectors such as food and beverages, hotels and catering, accelerates layoffs, casualisation and outsourcing. It "adds volatility to a destructive mix which is profoundly destabilising for workers and their unions." The International Union of Food and Hotel Workers has direct experience of this, as member confederations come to the international union for aid in helping to turn back particular company offensives. Often these offensives are promoted by the investing shareholders, as they seek huge rates of return. Unions seeking to bargain over changes in conditions or negotiate the impact of restructuring, or challenges to closures, run up against the new financial power brokers. These people are not so interested in arguments about improvements in production or services , increased productive capacity, new product lines, long term viability of markets or consumer needs. They want their quick returns.

Some may say, it was ever thus in business but let's look at a few examples from the food and beverage sectors:

- Heineken in 2006 announced half year results which earned profits 56% higher than the previous period and simultaneously announced the cutting of 1,000 jobs in the following year.
- The brewers, Inbev announced a 15,3% increase in earnings and plans to cut 360 jobs at the same time; including my favourite Boddingtons brewery at Strangeways, Manchester.
- Nestlé announced a 21 increase in net profits while promoting job insecurity, losses and outsourcing, casualisation, production transfers and closures.
- Gate Gourmet is perhaps the best known case in the UK. It was in the news for weeks as the doughty Asian women working for the catering company supplying British Airways fought for their jobs. Gate Gourmet had been bought by the private equity firm, Texas Pacific. The new company planned a period of "organic growth" which began, in the words of the IUF "a meticulously planned assault on trade unions, beginning at Heathrow". The company stealthily hired hundreds of contract workers before mounting an attack on the existing workforce and their working conditions. You saw the scenes on TV no doubt, with hundreds of older women in Saris standing on a roundabout, on strike for their jobs, and being told by an American manager they were sacked.

Often the problem we face here is that the fund managers who control these companies, in effect, do not see themselves as employers. In few systems are they defined as employers and have none of the legal obligations that employers have. In the case of Gate Gourmet, that company denies that the management decisions it took have anything to do with Texas Pacific, although it does acknowledge its fiduciary duty to the investor company. I almost said "parent company". In days gone by, I could have used that as an accurate, legal definition, but the new investment funds are not 'parents'. They want to run their children's lives but they are not parents…or employers.

So we are seeing therefore is a yet further disintegration of the social nexus between worker and employer. This relationship, dating back to the industrial revolution and beyond, has produced layer upon layer of employment law and, importantly a culture containing broad social rights and obligations. The new capitalism wants none of it. It wants to be foot loose and fancy free, without obligation. In the old days, when trade unions – especially those in North America – realised that corporate campaigning could be more effective than striking, we had some noticeable successes. But what if the ultimate owner is a hedge fund?

Can you go and lobby the AGM, as we did with our corporate campaigns? Can you organise with other disgruntled groups of share-holders as we did then? Not so easy.

The European Central Bank is worried about all this even if Mr McCreevy is not. The US authorities are worried too. But the fear to act is widespread and deep rooted. No longer does the Ford Motor Company treat its banks and investors with a degree of disdain, demanding their services on Ford's terms. The new titans are not the old ones. For Ford then, read Goldman Sachs now. It is the capital markets who call the shots.

So must we all get used to a new language of leveraged finance, second lien loans, mezzanine finance, syndicated loans, global share insurance, credit default swaps, collateralised debt obligations and so on?

I think we must. All this is too important to be left to the practitioners who have a vested interest in obscuring what they do from the rest of us. At the very least, we must understand much more fully what they do – that they are speculating as much as legitimately hedging risk and that these practices are dangerous to economic stability, traditional industry and jobs. I would like to see the City pages of the press more challenging and less respectful on these matters.

So what else can we do? The answers are not easy. If you believe like me that the recent relative success of the UK economy has been based on rising house prices, mostly fuelled by earnings from the financial services sector and perhaps more recently the increase of the public sector, you worry about clumsy intervention with negative or unintended consequences.

But firstly, we should stop according financial services a specially privileged place in the UK economy. It was the only industry specifically mentioned in the Treasury's five tests for possible euro entry yet UK overseas earnings from the City are still only one tenth of those from exporting goods. With all the pressures, the old capitalism is not dead. It needs help and respect, not laissez faire neglect. It needs to stand up for itself, speak with a louder voice and not be in awe of financial markets. The CBI need to become a lot clearer that they must stick up for industry not just – as they do on autopilot - against trade union lobbying and any hint of regulation, but compete against the overmightly financial sector.

Second, we should examine – and I am currently pressing the EU to do this and will continue to do so at the forthcoming macro economic dialogue– how capital markets fund research and development and innovation - if indeed they do. I believe that the next big idea after the IT revolution will be environmental technology. So, more tellingly, does General Electric of America and they are directing their R+D towards this area. Will the city slickers earn at least some of their fat bonuses by backing inherently risky ventures on tough issues like climate change and renewable energy. Some hopes I fear. Short term thinking is the enemy of innovation and R+D.

Can we revisit the idea of a National Investment Bank providing capital for productive purposes in key areas of scientific and technological challenge? This now would need to be set in the context of the single market in Europe but we must find a way of supporting serious R+D and innovation. We cannot not rely on the market, especially with the way it is evolving.

Next, we should expose – and prosecute, fiercely, corporate wrong doing. This is not victimless crime. The perpetrators are robbing us all and should not receive an easy time. The Americans are showing the way again, rightly ignoring the CBI's unctuous concern for those Britons caught up with the Enron scandal.

Next, politics should not be intimidated by what is going on. The present disenchantment with politics reflects a feeling that it has no answers to the big issues. The Labour Government on some issues – for example child poverty, Africa, the NHS - is trying hard to make a big difference. On other issues, especially on achieving a high level of employment, it has succeeded; who honestly thought 10 years ago that we would get anywhere near full employment ever again? We are not proud of the quality of some of the jobs but the achievement is real. It would have been appreciated by Nye Bevan even if he would have been bemused by the Government Ministers and ex Ministers criticising so loudly and confusingly the outcomes of the record spending on his beloved NHS. You don't need an Opposition and the Daily Mail if your own side accentuates the negatives.

Yet I am critical of the Government for swerving away from confronting the rise of this new, overmighty capitalism. Their worry was, and is, overmighty unions. The reality is overmighty financial capitalists. Yet there were some signs of early promise, never realised. In 1996, Tony Blair made a speech in Singapore calling for stakeholding, not shareholder value, to guide us into the future. He was following Will Hutton's praise for the Rhineland model of Germany and France in his best selling book – "The State We Are In" which had called for entrepreneurial accountability to unions, communities, the environment as well as shareholders. I was elated and wrote immediately an article for the Times hailing this Damascus-like conversion.

My elation was brief. Before Mr. Blair's plane had touch down back at Heathrow, the speech's meaning had been hastily redefined. It was made clear that there was no intention to re-empower unions, Labour was the friend of business and capital, not a promoter of stakeholding at all. The term stakeholding was never heard to pass the lips of the Prime Minister, nor the Chancellor again.
But yet, but yet…

The latest companies Bill codifies the principle of what it calls "enlightened shareholder value". That requires a director to promote company success in the interests of the long-term, company employees, suppliers and customers, the community and the environment, and maintain a reputation for high standards. I do not yet know what we can make of this but it is a welcome step in the stakeholding direction.

Finally, what should be the trade union response? We may not have always liked it but we knew where we were with the Ford Motor Company. Goldman Sachs by contrast is a foreign land and hedge funds are in a different universe. We won't achieve anything by cuddling up to them but there is wide scope for campaigning on the corporate reputations of at least the mainstream financial institutes. We should do this, and mobilise our own shareholder power. After all, workers are still around 50% of the trustees of some of our largest pension funds.

We should also throw our weight behind the new International TUC formed 2 weeks ago of socialist, christian and former communist unions. It is burying old tribal conflicts in our own ranks to lead the fight against the dark side of globalisation and to campaign for taxation on the speculators such as the Tobin tax. We must support it to become a champion of good business practices, of decent relations with decent employers while ruthlessly fighting the speculators. I will be taking on the additional job of general secretary to a Pan European Region of the ITUC operating from Connemara to Vladivostock.

We must also use to the full the European dimension. A region of the world with 450 million people characterised by decent welfare states, public spending averaging around 40% of GDP, excellent public services in the main, the world's strongest unions, spreading democracy and union rights through Eastern Europe - this Social Europe seems to me to be a great source of union strength. It can take on the casino capitalists and to promote respect and rewards for those who accomplish real things in improving our society. We must encourage it to develop European rules for the games of the new capitalism, and to contribute towards drawing up global rules. It is no longer good enough – if it ever was for the Labour Government to fight off European initiatives to bring some greater co-ordination and order to financial markets.

Nye Bevan was not a dreamer about a common European future. He regarded the Common Market as a vehicle for rapacious capitalism and some are still trying to make it so. Indeed it could have been so. But so far trade union and socialist action – and to be fair Christian Democracy too - has made it something quite different. And Bevan was of course an internationalist who today would have recognised that the new global capitalism requires a global response. He would have recognised that in this as in other fields like world poverty and global warming, Britishness may be important but it will not be enough.

We have to fight the battle all the time. Every generation needs mobilising to preserve what we have and to promote progress based on the values of social solidarity. Following Vice Chancellor Müntefering, I believe that the future is based on the industrious bee, not the rampaging locust, on strong trade unions balancing capital, - yes wherever possible forming partnerships - and on active Government – at international, European Union, national and regional levels -, not just active shareholders.

So tonight, chairman, I have taken you on a tour of trade union views of the new capitalism. As ever, the problems are clearer than the answers. But the memory of Aneurin Bevan demands that we undertake restlessly and urgently a search for these answers. Our future – the world's future - is too important to place in the hands of the new capitalists.

Thank you

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AFL-CIO Top Leadership Calls for Increased Investor Protection
Asks Congress to Take Up Executive Pay, Hedge Fund Regulation

(Las Vegas, March 7) - - The AFL-CIO Executive Council formally called on Congress and the regulators to take action to increase transparency and accountability in the areas of hedge funds, executive pay, and corporate boards. In a new policy statement, the AFL-CIO asked Congress and the regulators to reject demands by "irresponsible" elements of the business community to weaken investor protections. The Council also expressed its support for European labor movement concerns about private equity funds.

"The working people of this country are tired of watching while individual CEOs take hundreds of millions of dollars from the companies we invest in," said Richard Trumka, AFL-CIO Secretary-Treasurer. "Long-term investors need Congress to give us the tools to protect our money."

The policy statement noted the broader impact of runaway executive pay on inequality in our society and asked Congress to support both greater shareholder oversight of pay and corporate boards. It also asked Congress to look at tax policies in light of the gap between private wealth and public need in areas like health care for our troops and aid for Katrina victims.

The policy statement asked for Congressional hearings into executive pay abuses, including stock options misconduct, the impact of hedge funds on our markets and the broader economy. "Transparency and accountability are the source of our capital markets' competitive advantage and are vital to protecting the security of working people's retirement. We need to extend those principles to the trillions of dollars now in hedge funds and private equity," said Trumka.

The AFL-CIO is the country's largest labor federation, with over 10 million members in 54 unions. Union members participate in benefit funds with over $5 trillion in assets and sponsor benefit plans with over $400 billion in assets.

The statement is available by calling 202-637-5018 or visiting:
http://www.aflcio.org/aboutus/thisistheaflcio/ecouncil/ec03062007d.cfm

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AFL-CIO Executive Council
Statement
March 2007
Las Vegas, NV

INVESTOR PROTECTION AND CORPORATE ACCOUNTABILITY

Since the collapse of Enron and WorldCom, America's workers and their benefit funds have experienced firsthand the consequences of failures in corporate governance for our retirement security, our health care and our jobs. With each passing year, fewer workers have pensions or adequate health care while executive compensation continues to explode, as documented on the AFL-CIO's Executive PayWatch website. In the past year, we have seen scandalous examples of stock options abuses at hundreds of companies and runaway executive pay and exit packages.

Runaway executive pay is the most flagrant example of the growing inequality in American society. We read of Wall Street executives receiving tens of millions of dollars in bonuses and ordering $15,000 bottles of wine—an amount larger than a year's worth of work at the minimum wage. At Pfizer and Home Depot, failed executives left with exit packages exceeding $200 million each.

Excessive executive pay increasingly allows CEOs to gain political influence, in some cases funding political campaigns from their own personal resources. For example, Massey Energy CEO Don Blankenship—who in 2005 alone received $28.8 million in total compensation—spent more than $6 million over the past three years on state elections in an effort to defeat pro-worker candidates and ballot initiatives, according to published reports. America's working families today live in a society in which the wealthy and very wealthy increasingly control political power.

Meanwhile, our nation goes further into debt. In military hospitals without the money to provide proper care, our wounded soldiers suffer—in many instances from wounds received due to lack of proper equipment. And 18 months after Hurricanes Katrina and Rita struck the Gulf Coast, more than 100,000 people still are unable to return home because the government lacks the resources to act.

These developments are not unrelated to the increased power of short-term investors in the capital markets. Today, hedge funds control more than $1.5 trillion and are subject to almost no oversight, even though much of the money invested in hedge funds comes from workers' pension funds. The international labor movement has become increasingly focused on the combination of hedge funds and private equity funds driving what John Monks, head of the European Trade Union Congress, calls the "financialization" of whole economies. As a result of court decisions and the weakening of ERISA protections by the last Republican Congress, workers' pension assets invested in hedge funds today are less well protected than they ever have been.

Workers and their pension funds are the leading voices in our capital markets for reining in executive pay, holding corporate boards accountable to shareholders, improving our accounting and auditing systems, and fighting to keep companies and investment managers focused on the long-term goal of creating value for investors and all Americans. Union-affiliated investors now account for a majority of shareholder proposals, addressing such issues as stock option abuse, corporate political contributions, the independence of compensation consultants, the election of company directors (requiring a majority vote) and, for the first time this year, the right of long-term investors to nominate their own directors to corporate boards. The AFL-CIO and our affiliates have worked closely with the regulatory agencies on a bipartisan basis to ensure that workers' interests as investors are protected through both thoughtful regulation and enforcement.

Although the case for continued reform has never been stronger, powerful corporate interests have been working to attack the investor protections we already have. Their efforts are funded by individuals such as the disgraced former CEO of AIG, Hank Greenberg, and Wilbur Ross, the CEO of the company that owns the infamous Sago coal mine. Through reports by ideological groups, they seek to lower our system of investor protections to the point that companies controlled by the Chinese government can feel safe selling their stock to U.S. investors. They seek to subsidize the jobs of investment bankers by putting at risk the retirement security of millions of America's workers.

In response, the AFL-CIO believes increased accountability and responsibility must be required of our corporations and our capital markets. We call upon the new Congress to begin comprehensive hearings on the continuing failures of our corporate governance and capital market regulation systems. These hearings should address (1) executive pay excesses and the apparent widespread and flagrant legal violations involved in the stock options scandals; (2) the impact of the growth of hedge funds and private equity on the health of our capital markets and our economy overall; (3) the effect that corporate America's retreat from providing pensions has on our system of corporate finance; and (4) the relationship of our increasingly regressive tax system to the explosion in executive pay, our growing budget deficit, and our inability to fund basic governmental obligations.

We call upon Congress and the independent regulatory agencies charged to protect investors to reject calls to weaken investor protections. Our system of investor protection *is* our competitive advantage in the world capital markets, attracting the foreign capital we require to fund our out-of-control trade deficit.

We call upon Congress to restore full ERISA coverage of hedge funds and to give the Securities and Exchange Commission the clear power to regulate hedge funds as it regulates other forms of money management.

We call upon Congress and the Securities and Exchange Commission to give long-term investors the tools they need to ensure that corporate and mutual fund boards are composed of and led by independent directors ready to hold management accountable to the long-term best interests of public corporations. These tools include the ability of investors to have a voice on executive pay, the requirement that corporate directors have the affirmative support of a majority of the shareholders before they can be elected to a board (majority vote), and a viable method for long-term investors to nominate psychologically independent directors to corporate boards (proxy access).

# # #

date: February 20 2007

embargo: 18:00 Tuesday 20 2007

Time for action against private equity excess

The TUC is to warn the trustees of pension funds controlling £300 billion worth of assets against the dangers of investing in private equity schemes and is to call on the government to regulate an industry 'that at the moment is pretty much allowed to operate with impunity'.

In a lecture delivered at City University, TUC General Secretary Brendan Barbersaid that while private equity has sometimes turned ailing companies around, too often it is about 'amoral asset-strippers after a quick buck. Casino capitalists enjoying huge personal windfalls from deals at the same time as they gamble with other people's futures.' And 'in companies that are often leveraged to the hilt, it's employees who end up shouldering much of the risk, with downward pressure on pay, pensions and job security.'

'The problem is simple: private equity can steer clear of the responsibilities a public company has to live up to. Its owners will disclose as little as possible about what they are doing, and why. On issues like employment practices and corporate social responsibility, the silence is usually deafening.'

Mr Barber says that there is insufficient debate about the role of the City in the UK economy. While it has undoubted strengths and economic importance, we should 'debate the City's role in our economy and our national life' even if politicians 'sometimes give the impression that they would prefer to let sleeping dogs lie' and say 'better that our financiers make their money here than somewhere else - and we don't want to frighten them away.'

Extract from the City University Leader's Lecture, February 20 2007

Check against delivery

'Yes, the City is an international centre of excellence. And yes, our growing financial services industry is a creator of tremendous wealth. I don't for one moment want to talk down the importance of that.

'But at the same time, we shouldn't be afraid to debate the City's role in our economy and our national life. Does the imperative to go for short-term returns damage companies' ability to build for the long term? To what extent does the huge wealth created in the Square Mile trickle-down to people in Newcastle or Manchester or even Bethnal Green?

How much of the City's tax take actually ends up in the Exchequer as opposed to being squirreled away to the Cayman Islands? The problem is we simply don't know; too much of what happens in the City is clouded in secrecy. And our politicians sometimes give the impression that they would prefer to let sleeping dogs lie.

Better that our financiers make their money here than somewhere else is the cry - and we don't want to frighten them away. Take the hot issue of the day: private equity firms.

With speculation building about a possible takeover of Sainsbury's, the UK's burgeoning private equity industry is in the spotlight as never before.

It's already bigger than most people suppose. Across the UK, two-and-a-half million workers - one in six of the private sector workforce - are employed in companies controlled by private equity.

As you would expect, the trade union movement and the private equity industry don't have an easy relationship. Sometimes private equity firms turn failing businesses around, providing decent returns to their investors, pensions funds included. Sometimes, however, they give the impression of being little more than amoral asset-strippers after a quick buck.

Casino capitalists enjoying huge personal windfalls from deals at the same time as they gamble with other people's futures. This is not just trade union dogma.

As a recent study by the chief investment officer at Fidelity International showed, there is little evidence overall to show that private equity improves bottom line performance.

And as the respected City figure Paul Myners recently commented, in companies that are often leveraged to the hilt, it's employees who end up shouldering much of the risk, with downward pressure on pay, pensions and job security.

The problem is simple: private equity can steer clear of the responsibilities a public company has to live up to. Its owners will disclose as little as possible about what they are doing, and why. On issues like employment practices and corporate social responsibility, the silence is usually deafening.

That's why the TUC will shortly be producing a briefing on private equity for our network of over 1,000 pension fund trustees - who help manage assets worth more than £300 billion.

Encouraging them to look long and hard at all these issues before they support major new investments in private equity. And why, next month, trade union leaders from 40 countries will be gathering in Paris to discuss how to make the industry more accountable.

We will be feeding our concerns to German Chancellor Angela Merkel ahead of June's G8 summit. And with stronger standards of corporate governance likely to be one of the themes of the German Presidency, we believe the argument is on our side.

So this evening I challenge ministers not turn a blind eye. To think about how to better regulate an industry that at the moment is pretty much allowed to operate with impunity.

NOTES TO EDITORS:

- All TUC press releases can be found at www.tuc.org.uk

- Register for the TUC's press extranet : a service exclusive to journalists wanting to access pre-embargo releases and reports from the TUC. Visit www.tuc.org.uk/pressextranet

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Press release (1,000 words) issued 20 Feb 2007

Beitrittserklärung

[ ] männlich
[ ] weiblich
[ ] vollbeschäftigt
[ ] teilzeitbeschäftigt

[ ] Student/in
[ ] gewerbl. Arbeitnehmer/in
[ ] Angestellte/r
[ ] kaufm.
[ ] techn.
[ ] Meister

[ ] Auszubildende/r bis:

Name — Vorname

Straße

PLZ — Ort

Telefon — Geburtsdatum

E-Mail

Betrieb (Name)

Straße

PLZ — Ort

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Ich bestätige die Angaben zu meiner Person, die ich der IG Metall zum Zwecke der Datenerfassung im Zusammenhang mit meinem Beitritt zur Verfügung stelle.
Ich bin darüber informiert, dass die IG Metall zur Erfüllung ihrer satzungsgemäßen Aufgaben und unter Beachtung der datenschutzrechtlichen Vorschriften personenbezogene Angaben über mich mit Hilfe von Computern verarbeitet. Hiermit ermächtige ich widerruflich die IG Metall, den jeweils von mir nach § 5 der Satzung zu entrichtenden Mitgliedsbeitrag von 1 % des monatlichen Bruttoverdienstes bei Fälligkeit einzuziehen.
Diese Einzugsermächtigung kann ich nur schriftlich mit einer Frist von sechs Wochen zum Quartalsende gegenüber der IG Metall widerrufen. Änderungen meiner Daten werde ich unverzüglich der IG Metall mitteilen.

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November 2006

Tipps und Infos
rund um Kapitalbeteiligungsgesellschaften

Netzwerk Private Equity

Der neue Eigentümer

Finanzinvestoren übernehmen in Deutschland immer häufiger Firmen aus Familienbesitz oder Tochterunternehmen von Großkonzernen. Belegschaften und Betriebsräte geraten nach einer Übernahme nicht selten stark unter Druck. Das Verhalten der neuen Eigentümer ist für viele Kolleginnen und Kollegen nicht nachvollziehbar. Die Investoren haben selten ein Gesicht. Oft kommt es schon im Vorfeld der Übernahme zu einer erheblichen Unruhe im Betrieb. Wer könnte uns kaufen? Wo geht danach die Reise hin?

Was können wir tun?

Hier wird die IG Metall aktiv: Wir haben am 22. November 2006 das Netzwerk Private Equity ins Leben gerufen. Im Netzwerk kommen bundesweit betroffene Kolleginnen und Kollegen zusammen, die untereinander Informationen austauschen und sich mit Hilfe der IG Metall wechselseitig unterstützen. Die Folgen einer Übernahme müssen nicht schicksalhaft hingenommen werden. Wir können sie beeinflussen und faire Bedingungen aushandeln.

Was leistet das Netzwerk?

Die Homepage des Netzwerkes bietet eine Fülle von Informationen. Wie funktioniert Private Equity (PE)? Wer sind die wichtigsten Player im Markt und wie sind die Erfahrungen der Kolleginnen und Kollegen vor Ort. Gibt es gute und schlechte Kapitalbeteiligungsgesellschaften? Wie kann sich ein Betriebsrat einmischen?

Neben den persönlichen Eindrücken und Fallbeispielen stehen Informationen rund um das Thema Private Equity zur Verfügung. Artikel und Infomaterial sind auf der Netzwerkseite abrufbar. Wir holen die Firmen aus der Anonymität und informieren über Gegenwehr und Gestaltungsmöglichkeiten bei Übernahmen.

Am wichtigsten ist jedoch unser Forum. Hier können Fragen gestellt werden. Themen werden offen diskutiert. Betriebsräte mit Erfahrung in Sachen PE helfen anderen Kolleginnen und Kollegen. Eine Adressliste aller Netzwerkmitglieder ist auf unserer Seite einsehbar.

Wie werde ich Mitglied im Netzwerk?

Jetzt Mitglied werden!

Unter der Internetadresse
www.pe.igmetall.de könnt ihr euch anmelden.

Einige Seiten sind frei zugänglich und für alle Kolleginnen und Kollegen im Betrieb freigeschaltet. Wenn ihr auf alle Inhalte zugreifen und am Forum teilnehmen wollt, dann müsst ihr euch mit eurer E-Mail-Adresse und eurer IG Metall-Mitgliedsnummer anmelden. Ihr erhaltet dann die Zugangsdaten.

Wer noch nicht Mitglied ist, kann es jetzt gleich werden. Antrag ausfüllen, abtrennen und in einen Fensterumschlag an die IG Metall schicken oder beim Betriebsrat abgeben. Oder online beitreten: **www.igmetall.de**

Gute Gründe, dabei zu sein:

Die IG Metall ist die Nummer 1 in Sachen Tarif. Egal ob im Handwerk, in der Automobil- oder IT-Industrie: **Die Tarifverträge** der IG Metall setzen Standards.

Die IG Metall hat **erfahrene und sachkundige Experten**, die die Mitglieder beraten und die Betriebsräte bei ihrer Arbeit unterstützen.

Weitere attraktive Leistungen sind im Mitgliedsbeitrag enthalten:

Zum Beispiel **Rechtsschutz** und **kompetente Rechtsberatung** bei sozial- und arbeitsrechtlichen Problemen.

Die **Freizeit-Unfallversicherung** bietet weltweit Schutz bei Unfällen in der Freizeit.

IG Metall-Vorstand
FB Organisation/Mitglieder
60519 Frankfurt am Main

Financial investors: knights in shining armour or robber barons?

Report on two workshops held by IG Metall and the Hans Böckler Foundation, October-November 2006

Dr. Torsten Müller
European and Global Industrial Relations Research Group
University of Applied Sciences at Fulda / Germany

Against the backdrop that approximately one fifth of all acquisitions in Europe are carried out by private equity funds, the German metalworkers' union IG Metall and the Hans Böckler Foundation organised two workshops with the rather provocative title "Financial investors: knights in shining armour or robber barons?". The main objective of the two workshops, which were held on 19 October and 22 November 2006 was to inform works councillors and trade union officials about how financial investors operate and to discuss appropriate employee-side responses in order to effectively defend the interests of employees vis-à-vis financial investors. The debate focused mainly on measures to increase the transparency of the activities of private equity and hedge funds and on developing employee-side demands for an increased regulation of capital markets.

Since the issue of financial investors is rather complex, the first workshop aimed to set the stage for the second workshop by providing a more general overview of the operation of capital markets and the potential economic implications of liberalised (and highly internationalised) capital markets. Building on this more general information, the second workshop was primarily devoted to the presentation and discussion of concrete examples of companies that were taken over by financial investors.

Assessment of financial investors' strategies

Both the presentations by academic experts as well as the reports by practitioners from companies which have been bought up by private equity funds highlighted the need to distinguish between private equity funds which are merely interested in reaping short-term profits by selling profitable parts of the company or by extracting capital and those funds which pursue a longer-term strategic approach by actually investing into the development of new products and new technologies. The discussions at the two workshops demonstrated that the strategies pursued by private equity funds differ quite substantially from case to case and that it is therefore impossible to categorise these as 'good' or 'bad'.

In some cases, the money provided by private equity funds - in particular in the form of start-up venture capital - did have positive implications for employees by creating new jobs or by securing existing ones. However, the many negative examples presented at the workshops clearly illustrated the risks and problems involved in the activities of financial investors. From the employee-side perspective, the main problem which most of the negative examples share is the fact that many financial investors pursue a short-term profit-oriented strategy of cutting costs. This not only means cuts in production and employment but also extreme pressure on working conditions in terms of falling wages, longer working hours and work intensification.

Defending employees' interests vis-à-vis financial investors

Since, as a rule, employee representatives are not informed by financial investors prior to an acquisition, it is very difficult for works councillors and trade unionists to assess the strategy of a potential buyer. Thus, the first step in developing an appropriate employee-side response is to collect information about the potential buyer. At the workshops, four crucial issues were identified which need to be taken into account by employee representatives:

- The strategy of the potential buyer in previous acquisitions;
- The mode of financing the acquisition – i.e. whether it is mainly financed by the investor's own capital or by borrowing money;
- The main objectives of the acquisition – i.e. economic growth vs. buy-outs and off-shoring of production
- The exit strategy of the potential buyer – i.e. how long will the potential buyer keep his shares or ownership of the company?

Online network about private equity

Since information is the key to defending the employees' interests vis-à-vis financial investors, IG Metall set up an online "Network Private Equity" in order to provide all members of IG Metall with a range of information on the operation of capital markets and the strategies of the main players in the field. The most important feature of the newly established website-based network is, however, the so-called 'Forum' which enables works councillors and employees to systematically exchange information and experience. This password-protected area allows all members of the network to pose questions and to openly discuss crucial issues. The website of IG Metall's "Network Private Equity" can be accessed under: www.pe.igmetall.de

Improving control over financial investors' activities

In addition to the establishment of this platform for the exchange of information, IG Metall is currently developing a catalogue of demands aiming to improve control over financial investors. The key issues to be addressed by the catalogue of demands are: containment of speculative activities, improved transparency and protection of investors' interests, and stronger participation rights for employees in the case of acquisitions and takeovers of companies. Another suggestion mentioned at the workshops as a supplement to the proposed legal measures is the introduction of a binding code of conduct for the whole finance industry in order to ensure that short-term profit orientation is not the one and only guideline for investment decisions. In order to ensure sustainable development, the interests of employees, society as a whole and the environment should be equally important factors.

Further Reading

For further information on the issue, the following brochures are available (in German only) on the website of the Hans Böckler Foundation www.boeckler.de:

- Kamp, L. and Krieger A. (2005): *Die Aktivitäten von Finanzinvestoren in Deutschland*, Arbeitspapier 103, Düsseldorf: Hans Böckler Stiftung.
- Böttger, C. (2006): *Strukturen und Strategien von Finanzinvestoren*, Arbeitspapier 120, Düsseldorf: Hans Böckler Stiftung.
- Faber, O. (2006) *Finanzinvestoren in Deutschland – Portraits und Investitionsbeispiele*, Arbeitspapier 123, Düsseldorf: Hans Böckler Stiftung.

Mobiliser les moyens financiers des entreprises au service de l'emploi, des salaires et de l'investissement productif

Le contraste est frappant. D'un côté, les entreprises enregistrent des profits importants, les indices boursiers continuent de grimper, les actionnaires sont de mieux en mieux rémunérés. D'un autre côté, les salaires demeurent faibles et la majorité des salariés subissent une perte de pouvoir d'achat. En même temps, l'emploi n'augmente que très faiblement et la précarité se développe. Enfin, l'investissement des entreprises demeure faible, eu égard aux besoins économiques et sociaux, eu égard aussi à l'ampleur des moyens financiers dont disposent les entreprises. En effet, en plus des profits, les entreprises ont à leur disposition d'autres fonds : aides publiques, crédits bancaires. Ces ressources doivent elles aussi être mobilisées au service de l'emploi et de l'investissement.

Ce contraste n'est pas fortuit. Il s'explique par les choix délibérés des entreprises. Il s'explique aussi par les choix de politique économique qui renforcent une stratégie d'entreprises axée sur la réponse prioritaire aux exigences des actionnaires et des détenteurs de capitaux.

Créer des emplois stables et bien rémunérés, augmenter les salaires, accroître l'investissement, ce sont des exigences claires des salariés. Répondre à ces exigences est aussi nécessaire pour dynamiser l'économie.

567 milliards d'euros de ressources disponibles

Pour mener à bien leurs activités, les entreprises disposent de plusieurs moyens financiers. Une partie de ces moyens est générée au sein de l'entreprise, à partir de ses propres activités, à partir du travail des salariés. Une autre partie est constituée des revenus financiers qui n'ont pas nécessairement un lien direct avec l'activité de l'entreprise. Une troisième partie provient des aides, notamment publiques. Une quatrième partie a son origine dans les crédits bancaires. Enfin, l'émission d'actions et d'autres titres financiers constitue une source de plus en plus importante.

Les entreprises non financières (c'est–à–dire les entreprises industrielles et de service, en dehors des banques et compagnies d'assurances) ont, en 2005, 567 milliards d'euros de moyens financiers à leur disposition. Pour mesurer l'importance de cette somme, on peut rappeler qu'elle est supérieure au budget de l'État et des collectivités territoriales confondus (540 milliards au total, dont 360 milliards pour l'État).

Comment ces ressources sont–elles utilisées ? Voilà une question importante pour le mouvement social.

Il est indispensable de mobiliser et utiliser autrement les moyens financiers dont disposent les entreprises pour répondre aux exigences des salariés.

Les bénéfices toujours en hausse

« *Pour les entreprises du CAC 40, cela va mieux que bien !* » C'est le commentaire du journal *Le Figaro* concernant les résultats des plus grandes entreprises françaises. Ces entreprises cumulent plus de 50 milliards d'euros de bénéfices au cours des six premiers mois de l'année 2006, soit 23 % de mieux qu'il y a un an. Les analystes prévoyaient une hausse de l'ordre de 6 % [1]. Il faut comparer ces chiffres avec l'évolution des salaires et du pouvoir d'achat.

Le montant des bénéfices est impressionnant : Renault, 1 630 millions d'euros ; Arcelor, 1 410 millions ; EADS, 1 040 millions ; Schneider Electric, 600 millions ; Vallourec : 452 millions ; ST–Micoelectronic, 230 millions...

Il faut rappeler que la hausse « surprenante » du premier semestre 2006 survient après une année 2005 marquée, elle aussi, par une forte hausse des bénéfices des entreprises. Le bénéfice net des 40 sociétés les plus importantes de la Bourse de Paris (CAC 40) a grimpé de 50 % en 2005 et a atteint 85 milliards d'euros.

La hausse des bénéfices se réalise au détriment de l'emploi, des salaires et de l'investissement productif. Et c'est bien là le problème.

La faiblesse de l'emploi et des salaires et la faiblesse de l'investissement productif : une relation réciproque

La faiblesse de l'emploi qualifié et stable et des salaires reste le problème majeur de l'économie française. Elle est à l'origine du développement de phénomènes inquiétants comme la pauvreté, les inégalités et l'insécurité sociale.

La faiblesse de l'emploi et des salaires est aussi à l'origine de la faiblesse chronique de la croissance économique. En effet, l'économie française se caractérise, comme la plupart des économies de la zone euro, par un taux de croissance économique qui reste durablement en dessous des 2 %.

(1) Le Figaro, *18 septembre 2006*.

Tableau 1 – Ressources financières à la disposition des entreprises en 2005 (en milliards d'euros)

Fonds générés au sein des entreprises	342
Crédits bancaires et autres	103
Actions et autres titres financiers	122
Total	**567**

L'atonie de la croissance économique s'explique aussi par la faiblesse de l'investissement productif. Ce dernier ne joue depuis plusieurs années qu'un rôle marginal dans la croissance économique, comme le montre le tableau 3. Ce tableau mesure la contribution respective de la consommation des ménages et de l'investissement des entreprises à la croissance du Pib. On constate que la contribution de l'investissement est nettement inférieure à celle de la consommation des ménages. On constate également que la contribution de l'investissement à la croissance a même été négative entre 2001 et 2003.

On peut tirer deux conclusions de ces évolutions. Premièrement, le renforcement de la croissance économique passe avant tout par l'amélioration du pouvoir d'achat des salariés, donc par de meilleurs emplois et de meilleurs salaires. Ensuite, pour dynamiser l'économie, il est indispensable d'accroître le niveau d'investissement des entreprises qui reste largement insuffisant, eu égard aux besoins sociaux et économiques, et aussi compte tenu des moyens financiers dont disposent les entreprises.

Tableau 2 – Des bénéfices records

	Résultat net en millions	Hausse en un an
Sanofi–Aventis	6 335	26 %
France Télécom	5 709	89 %
Arcelor	3 846	66 %
Renault	3 367	19 %
EDF	3 242	200 %
Suez	2 513	48 %
EADS	1 676	39 %
Danone	1 464	300 %
Saint–Gobain	1 318	6 %
Schneider electronic	994	21 %
Air liquide	933	20 %
Alcatel	930	61 %
Michelin	889	36 %
Lagardère	670	35 %

L'extravagance des rémunérations des grands patrons

Une étude publiée le 25 avril 2006 par le journal *Les Echos* révèle qu'en 2005, la rémunération brute totale des « *dirigeants opérationnels des sociétés du CAC 40 est restée quasiment stable, à 2,27 millions d'euros en moyenne contre 2,24 millions pour l'année 2004* ». Cette stabilité n'est pas due à une moindre générosité des conseils d'administration, mais à plusieurs changements intervenus en 2005. Elle s'explique ainsi par l'introduction, parmi les 40 entreprises du CAC, d'EDF et de GDF, en remplacement de TF1 et de Casino. Par ailleurs, huit des entreprises (Carrefour, Crédit agricole, France Télécom, PPR, Renault ou STMicroelectronics...) ont vu leurs dirigeants changer en 2005, changement qui s'est accompagné d'une baisse de salaires. Ceci étant, la tendance générale reste à une envolée de la rémunération des grands patrons. En 2005, 9 d'entre eux contre 7 en 2004 ont ainsi perçu plus de 3 millions d'euros. Jean–Philippe Thierry a bénéficié de la plus forte augmentation. En trois ans, le PDG des AGF a vu ses émoluments passer de 0,9 à 2,8 millions d'euros...

Ces données ne tiennent pas compte des stock-options. Une enquête parue dans le mensuel *Capital* d'octobre 2006 comble cette lacune. Elle montre par exemple qu'en 2005, le patron de la Société générale, Daniel Bouton, « *a plus que doublé sa rémunération par rapport à l'exercice précédent, grâce à la vente de stock-options* ». Il a empoché en tout 7,684 millions d'euros. Parmi les extravagances, le magazine souligne aussi que le patron de Suez, Gérard Mestrallet, « *s'est encore fait attribuer 385 000 stocks–options en 2005, ce qui a porté son total à 2,95 millions de titres !* »

D'autres « scandales » ont été vivement dénoncés, notamment par les organisations de la Cgt, dénonciations qui ne sont pas restées sans conséquence... Le PDG du groupe Vinci a ainsi été contraint de démissionner le 1er juin dernier après les révélations d'un directeur général du groupe. En plus de son salaire (4,3 millions d'euros par an), Antoine Zacharias a perçu en janvier 2006 une « prime de départ » d'environ 13 millions d'euros pour s'être déchargé de sa fonction de directeur général qu'il cumulait avec son poste de PDG. Il a bénéficié également d'un bonus de départ à la retraite (retraite–chapeau) de 2,2 millions, ainsi que des stock-options évaluées à 173 millions d'euros...

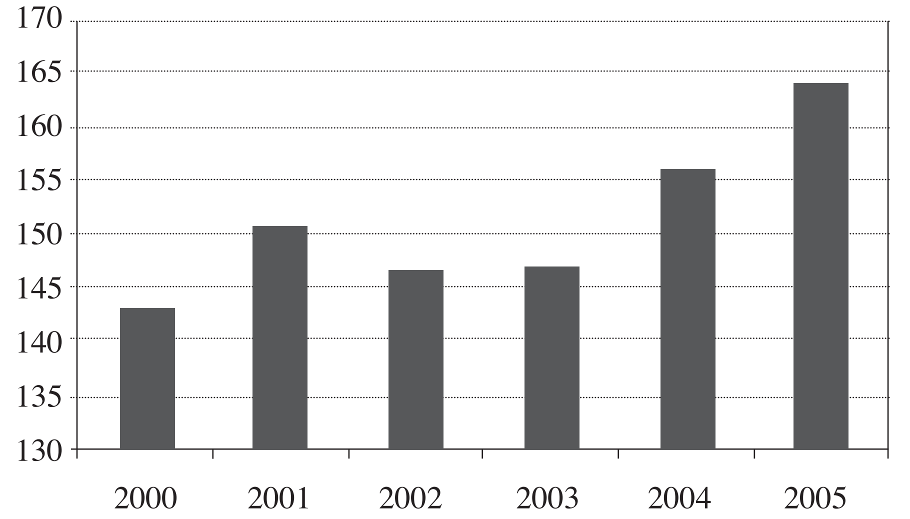
Tablrau 3 – Contributions de la consommation et de l’investissement à la croissance du Pib (en %)

	2000	2001	2002	2003	2004	2005
Consommation	2,0	1,4	1,2	1,2	1,3	1,2
Investissement	0,8	0,4	– 0,3	0	0,5	0,4

Source : Insee, Comptes nationaux.

Graphique 3 – Investissement productif

(en milliards d’euros)



Le partage de la valeur ajoutée demeure défavorable aux salariés

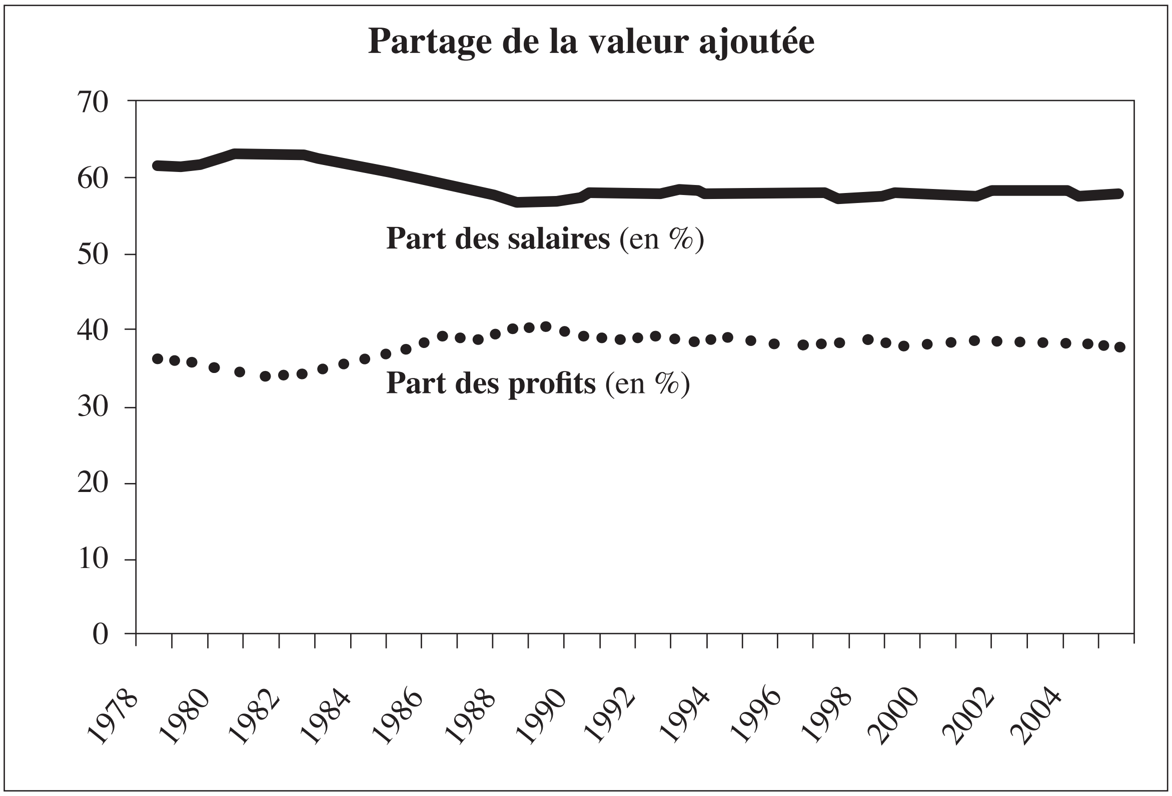
La création de la valeur ajoutée est un enjeu majeur en soi. Accroître l’emploi, les salaires et l’investissement permet de créer de nouvelles richesses, d’accroître la valeur ajoutée pour répondre aux besoins sociaux et économiques qui demeurent, dans une très large mesure, non satisfaits surtout pour les couches les plus défavorisées de la population et du salariat. Le partage de la valeur ajoutée est aussi un enjeu majeur. Le bon sens voudrait que dans le partage de la valeur ajoutée, la priorité soit donnée à l’emploi et aux salaires ainsi qu’au développement des capacités de production. Plus précisément, puisque la valeur ajoutée est créée grâce au travail des salariés, son partage entre le travail et le capital devient un enjeu de justice sociale et d’efficacité économique :

- Justice sociale parce que les travailleurs doivent bénéficier du fruit de leur travail ;
- Efficacité économique parce qu’en rendant justice aux salariés, autrement dit en améliorant leur part dans la valeur ajoutée, on va pouvoir dynamiser l’économie, grâce à une hausse de la consommation et à ses retombées positives sur l’investissement des entreprises.

Or, au cours des années 1980, le partage de la valeur ajoutée a été déformé de façon substantielle au détriment du monde du travail, sans qu’il ne se produise une inversion de tendance au cours des années suivantes.

Le discours patronal et libéral ne tient pas la route

La déformation du partage de la valeur ajoutée au détriment du travail infirme le discours patronal et libéral selon lequel la faiblesse de l’emploi, la persistance du chômage et le faible niveau d’investissement s’expliqueraient par les coûts élevés du travail. Selon ce raisonnement, la déformation du partage de la valeur ajoutée au bénéfice du capital devrait conduire à une hausse de l’emploi et de l’investissement. Ce raisonnement est connu, dans la littérature économique, comme le « théorème de Schmidt » qui stipule que « *les profits d’aujourd’hui font les investissements de demain et les emplois du lendemain* ». Or, la déformation du partage de la valeur ajoutée au bénéfice du capital a donné le résultat inverse. Les profits ont augmenté, mais aux dépens de l’emploi et de l’investissement. La priorité donnée aux intérêts du capital, au détriment des travailleurs, se concrétise aussi dans les méthodes comptables. Les « nouvelles » normes



comptables dites « IAS–IFRS » visent effectivement à répondre aux exigences des marchés financiers (2). Selon les méthodes comptables classiques, après avoir payé les fournisseurs, l'entreprise verse d'abord les salaires et les taxes liées à la production ; ensuite, elle rembourse les créanciers, y compris les banques, et constitue des provisions, y compris pour amortissement ; ensuite encore, elle verse l'impôt sur les bénéfices ; enfin, elle verse des dividendes aux actionnaires ou fait des « reports à nouveau », c'est–à–dire, qu'elle affecte en fait à son capital les sommes non distribuées aux actionnaires.Or, sous l'influence des marchés financiers l'ordre des priorités est inversé. L'objectif de rentabilité est défini préalablement ; les autres facteurs, à savoir l'emploi, les salaires et l'investissement, sont ajustés en fonction de cette priorité. Pour rendre compte de cette réalité, réalité qu'il faut changer pour lutter contre le chômage et pour développer les moyens de production, nous procédons ici à une présentation des comptes des entreprises à partir des données de la comptabilité nationale. Précisons que cette présentation n'est pas conforme à celle qu'on voit habituellement. Notre présentation vise à mieux rendre compte des relations entre, d'une part, la production et les moyens consacrés au développement des capacités humaines et de production et, d'autre part, les prélèvements financiers sur l'entreprise, dont les versements aux actionnaires et propriétaires, effectués au détriment de l'emploi, des salaires et du développement des capacités de production.

Pour chaque euro investi, 96 centimes sont versés aux propriétaires, dont 75 centimes aux actionnaires

À entendre le discours patronal, la faiblesse de l'investissement s'expliquerait, entre autres, par l'insuffisance des moyens financiers. Cette affirmation globale ne résiste pas aux faits. Certes, la situation n'est pas la même pour toutes les entreprises. Mais globalement, les entreprises disposent de moyens financiers suffisants pour réaliser leurs projets d'investissement. Un moyen pour mettre en évidence cette réalité est d'examiner les comptes agrégés des entreprises, à partir des données de la comptabilité nationale.

Dans la comptabilité nationale, les entreprises non financières (c'est–à–dire les entreprises industrielles et de service, en dehors des sociétés financières comme les banques et les compagnies d'assurance) sont classées dans un ensemble appelé « sociétés et quasi–sociétés non financières ». Nous prendrons ici le cas de ces entreprises, en dehors des entreprises individuelles dont la situation est encore différente.

Il est raisonnable de commencer par la production, car l'objet de l'activité économique est de produire et de répondre aux besoins sociaux et économiques, et non pas, comme le proclament et le pratiquent le patronat et les libéraux, de maximiser les profits (3). C'est grâce au travail des salariés que se crée la valeur ajoutée, la richesse nouvelle.

Une fois les salaires bruts considérés au sens large – part

(2) *CCEES–Cgt (2006), Les enjeux de l'intervention syndicale dans les choix de gestion des entreprises, février.*

(3) *Cf. CCEES–Cgt (2002), « Conceptions de l'entreprise et nouveaux droits des salariés »,* Note économique, *n° 56, janvier.*

salariés et part patronale des cotisations sociales, y comprises – versés, le reste de la valeur ajoutée est censé être orienté vers trois destinations : le paiement des impôts et des taxes, le renouvellement et le développement des capacités de production, le versement des intérêts et des dividendes.

Le tableau 4 rend compte de la façon dont la valeur ajoutée des entreprises non financières a été partagée en 2005 entre ces différentes destinations. On constate d'abord que la valeur ajoutée, c'est–à–dire la richesse nouvelle générée dans les entreprises grâce au travail des salariés, représente, en 2005, 40 % de la production ; les 60 % restant forment la « consommation intermédiaire ».

Il faut préciser que l'accroissement de la valeur ajoutée est un enjeu important en soi. Un moyen d'accroître la valeur ajoutée est de développer l'emploi et les qualifications, d'augmenter les salaires surtout en fonction du développement des qualifications, d'améliorer la recherche–développement et de dynamiser l'investissement productif.

La rémunération des salariés « au sens large » représente moins de deux tiers (64 %) de la valeur ajoutée.

Les taxes et impôts payés par les entreprises, nets des subventions qu'elles reçoivent de l'État et des collectivités territoriales, représentent moins d'un cinquième (19 %) de la valeur ajoutée des entreprises en 2005. Il convient de mettre ce pourcentage en relation avec la qualité des infrastructures et de la force de travail à la disposition des entreprises.Un quart de la valeur ajoutée reste donc, en 2005, à la disposition des entreprises après le versement des salaires, des impôts et des taxes. On peut admettre, même si cela mérite un examen plus approfondi, que pour réaliser leurs activités et leurs investissements, les entreprises doivent demander des crédits bancaires. Dès lors, les charges d'intérêt, dont le versement n'est pas à la discrétion des entreprises, doivent, elles aussi, être déduites de ce quart restant.

Ainsi, après paiement des salaires, des impôts et taxes et des intérêts des emprunts, l'ensemble des entreprises ont en 2005 à leur disposition 137 milliards d'euros générés en leur sein, ce qui équivaut à 16 % de leur valeur ajoutée.

Un phénomène marquant au cours des deux dernières décennies est la place croissante des revenus financiers dans les recettes des entreprises. Ainsi, les revenus de nature financière (intérêts et dividendes perçus) reçus par les entreprises – non financières, rappelons-le – s'élèvent à 137 milliards d'euros en 2005, soit l'équivalent de 16 % de leur valeur ajoutée.

Ce phénomène traduit une « *dérive vers la financiarisation* ». À cause de l'insuffisance des débouchés et notamment de la demande salariale (qui résulte de la faiblesse de l'emploi et des salaires), les entreprises cherchent une rémunération plus élevée du capital dans les opérations financières. Il faut préciser que cette dérive ne signifie pas que le développement de la sphère financière s'autonomise de celui de la sphère productive. Nous ne sommes pas devant une « bulle financière » qui se gonflerait artificiellement. Au contraire, le développement des activités financières a comme cause et contrepartie la faiblesse de l'activité productive. Autrement dit, il se réalise au détriment de l'emploi, des salaires et de l'investissement. La dérive vers la financiarisation se traduit aussi par une hausse importante des prélèvements financiers

Tableau 4 – La valeur ajoutée des entreprises non financières et son partage

	De la production à la valeur ajoutée	
1	Production	2 126
2	Consommation intermédiaire	1 268
3	Valeur ajoutée	858
	Part des salaires	
4	Masse salariale	551
5	dont : salaire brut	423
6	Cotisations sociales patronales	128
7	Profil brut (=3–4)	307
	Versements à l'État	
8	Impôts et taxes nets de subventions	102
9	Recettes issues de la production (=7–8)	205
	Versements aux créanciers	
10	Charges d'intérêt de la dette	68
11	Fonds restants à l'entreprise (=9–10)	137
	Intégration des revenus financiers	
12	Revenus de la propriété (=11+12)	137
13	dont intérêts perçus	42
14	Dividendes perçus	90
15	…Autres	5
16	Total des ressources générées dans l'entreprise (=11+12)	274
	Utilisation de ces ressources	
17	Versements aux propriétaires (=18+19)	156
18	dividendes versés	128
19	Autres	28
20	Investissement	170
21	dont : stocks	7
22	Total des usages (=17+20)	326
23	Besoin de financement (=16–22)	– 52

Source : Insee.

(intérêts et dividendes versés) par les mêmes entreprises.
En tenant compte des revenus financiers qu'elles perçoivent, les entreprises disposent en 2005 de 274 milliards d'euros générés en leur sein. La somme totale à leur disposition est plus importante, compte tenu de l'obtention de nouveaux crédits bancaires et de l'émission de titres financiers et de nouvelles actions.
À ce stade, et sans tenir compte des ressources financières externes, on peut poser la question de l'utilisation de ces 274 milliards d'euros. Et là, on voit le choix délibéré des entreprises et le poids de l'exigence de rentabilité.
Les revenus distribués aux propriétaires s'élèvent à 156 milliards d'euros, dont 128 milliards au titre des dividendes versés aux actionnaires. L'investissement productif de ces entreprises est de 163 milliards d'euros. Autrement dit, pour chaque euro investi pour renouveler ou développer l'appareil productif, les entreprises versent, en 2005, 96 centimes d'euros aux propriétaires, dont 75 centimes aux seuls actionnaires.
Il faut souligner que les sommes versées aux propriétaires représentent 57 % des ressources générées au sein des entreprises (ligne 17 du tableau 4 rapportée à la ligne 16), contre environ 40 % en 1999.

225 milliards d'euros de ressources externes

Comme cela a été évoqué plus haut, en plus des fonds générés dans l'entreprise, grâce au travail des salariés, les entreprises ont aussi accès aux ressources financières externes, aux fonds qui proviennent de l'extérieur de l'entreprise. Une partie de ces fonds est constituée à partir des contributions publiques (aides, subventions...). Pour simplifier l'exposé, nous avons intégré ce type de fonds dans le tableau 4, en les déduisant des sommes versées à l'État et aux administrations sous la forme d'impôts et taxes.
Le tableau 5 complète le tableau 4 en y intégrant les fonds extérieurs à l'entreprise, appelés ici « ressources nouvelles ». Il permet de regarder le problème de disponibilité et d'usage des fonds sous un autre jour. On constate que les entreprises non financières ont, en 2005, à leur disposition 567 milliards d'euros (ligne 6 du tableau 5), dont 342 milliards générés au sein de ces entreprises [4]. Les 225 milliards d'euros restant proviennent pour 40 % de nouveaux crédits bancaires et pour 60 % de l'émission d'actions et d'autres titres financiers.
Comment ces 567 milliards d'euros sont–ils utilisés ?
- 40 % de cette somme sont utilisés pour des opérations de nature financière (acquisition d'actions des autres entreprises, acquisition de titres financiers...). Une précision est nécessaire : toutes ces opérations n'obéissent pas nécessairement à une logique financière ; par exemple, il se pourrait que dans le cadre d'une stratégie industrielle, une entreprise soit amenée à acheter des actions d'une autre entreprise ;
- 30 % sont versés aux créanciers et aux propriétaires ;
- 30 % sont utilisés pour financer l'investissement productif.

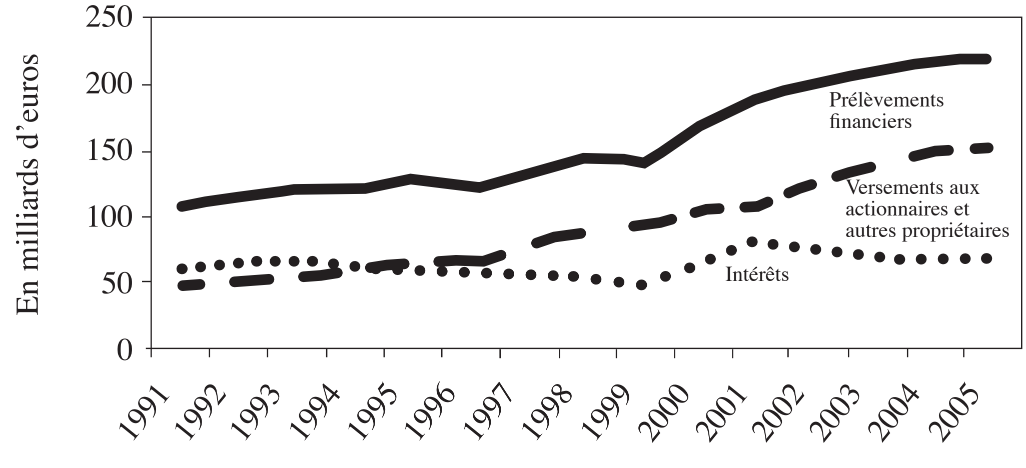
Ces chiffres mettent en exergue le poids de l'exigence de la rentabilité financière qui pèse lourdement sur l'activité productive, sur l'emploi, les salaires, les qualifications, la recherche–développement et l'investissement.
Nous avons vu que les prélèvements financiers sont de deux ordres : intérêts versés aux créanciers et notamment aux banques ; les dividendes versés aux actionnaires. La comparaison entre ces prélèvements et l'investissement productif est très instructive.
Le graphique 3 illustre la hausse continue des prélèvements financiers. Toutefois, on constate une inversion de la courbe des charges d'intérêt en 1995. En principe, lorsque les charges d'intérêt diminuent, on peut s'attendre à ce que l'investissement augmente. Or, les entreprises ont affecté les économies réalisées sur les charges d'intérêt à la distribution des dividendes. C'est là l'une des explications de la faiblesse de l'investissement.
Le graphique 4 complète les informations du graphique 3. Il montre la hausse considérable des dividendes qui commencent à rattraper l'investissement productif.

Tableau 5 – Fonds à la disposition des entreprises non financières

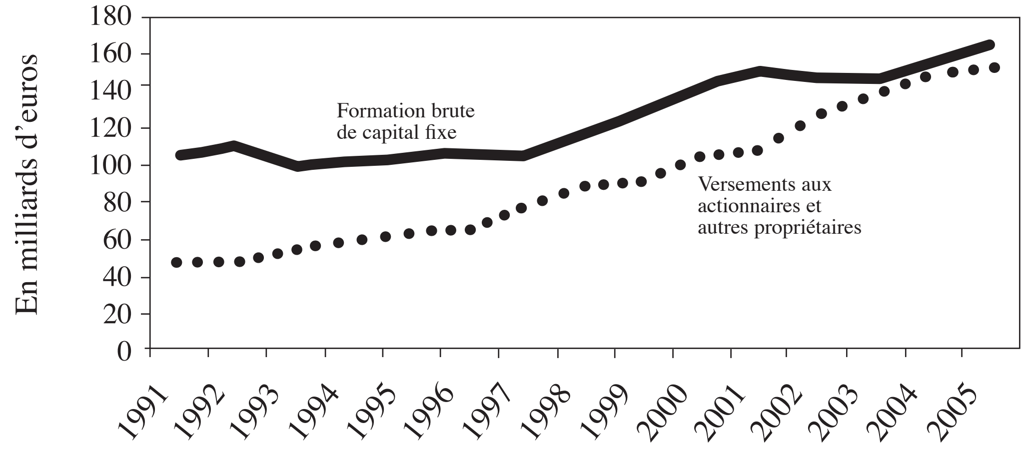
1	Total des ressources générés dans l'entreprise	342
2	Ressources financières nouvelles venant de l'extérieur de l'entreprise	225
3	dont : crédits	89
4	Actions et obligations	122
5	Avoirs et crédits commerciaux nets	14
6	Total des ressources à la disposition des entreprises	567
7	Prélèvements financiers	224
8	dont intérêts versés	68
9	Versements aux propriétaires	156
10	dont : dividendes versés	128
11	Investissement productif	170
12	Total des dépenses liées à l'activité de l'entreprise	394
13	Investissement financier	173
14	dont : actions et obligations	109
15	Crédits	64
16	Total des usages	567

(**4**) *La différence entre ce chiffre et celui du tableau 4 tient à ce que dans ce tableau, nous avons intégré les charges d'intérêt dans la rubrique « prélèvements financiers » (ligne 7 du tableau 5).*

Graphique 5 – Prélèvements financiers



Graphique 6 – Dividendes versés aux actionnaires comparés à l'investissement



En 1991, les dividendes versés aux actionnaires étaient de 48 milliards d'euros, l'investissement productif de 107 milliards. Et comme nous l'avons vu plus haut, en 2005, les entreprises ont distribué pour 153 milliards d'euros de dividendes ; l'investissement était de 163 milliards d'euros. On est donc passé en l'espace de quinze ans d'un rapport de 2,2 à 1 à une situation de quasi-parité entre l'investissement et les dividendes versés aux actionnaires.

Conclusion

Le chômage et la précarité, la faiblesse de l'emploi et des salaires, l'insuffisance de l'investissement productif sont des problèmes majeurs. Ils nourrissent l'insécurité sociale et pèsent sur les perspectives du développement de notre économie. Ces problèmes s'expliquent par des choix erronés du patronat et des pouvoirs publics, d'une stratégie qui privilégie les intérêts des détenteurs de capitaux.

Les entreprises ont à leur disposition des moyens financiers considérables dont l'usage reste, pour le moins, inefficace. Il s'agit donc de mobiliser ces ressources autrement, au service de l'emploi, des salaires et de l'investissement productif.

Une mobilisation efficace de ces ressources nécessite que les salariés et leurs représentants puissent intervenir sur les choix stratégiques des entreprises.

Notre démarche pour le développement de la démocratie sociale vise aussi à améliorer l'usage des fonds dont disposent les entreprises.

Nasser Mansouri–Guilani

ECO/202 – CONSEQUENCES ECONOMIQUES ET SOCIALES DE L'EVOLUTION DES MARCHES FINANCIERS
O. DERRUINE – CESE, GROUPE II
DOCUMENT DE TRAVAIL

1. INTRODUCTION

1.1 Au cours des 25 dernières années, l'économie mondiale a été profondément bouleversée. Si, en général, on se contente d'expliquer ce phénomène par la mondialisation, on n'a pas suffisamment conscience de sa dimension financière et de la constitution d'un marché financier global.

1.1.1 Ainsi, si les media et policy makers continuent à se focaliser sur l'indicateur du PIB, une mise en perspective s'avère nécessaire pour bien rendre compte de la réalité. En 2002, le PIB mondial équivalait à 32 milliers de milliards de dollars et bien que ce chiffre semble astronomique, il n'est rien par rapport à l'ensemble des transactions financières hors PIB (1123 milliers de milliards) qui sont 35 supérieurs en valeurs !

La sphère économique mondiale (en milliers de milliards de dollars US, 2002)

Echanges et production		Monnaie de règlement	
transactions sur dérivés	699	Etats-Unis (dollars)	405,7
transactions de change	384,4*	Eurosystème (euros)	372,9
transactions financières	39,3	Japon (yens)	192,8
transactions sur biens et services (PIB mondial)	32,3	Autres zones monétaires	183,6
total (transactions interbancaires)	1155	total (règlements interbancaires)	1155

* dont 8 pour les transactions commerciales internationales

Source: François Morin, "Le Nouveau mur de l'argent : Essai sur la finance globalisée", 2006

1.2 On identifie comme principal vecteur de la mondialisation financière les investisseurs institutionnels. Leur émergence s'est accompagnée d'une diffusion des pratiques anglo-saxonnes du corporate governance (protection des actionnaires minoritaires, obligations de transparence, activisme institutionnel lors des assemblées générales et modification du rapport actionnaires-managers-travailleurs) et de l'apparition des dérivés de crédits, ces nouveaux instruments financiers permettant la dispersion des risques que l'on pensait indissociable des certains titres. Ces changements ont été soit permis, soit accélérés par les nouvelles technologies de l'information et de la communication..

1.3 Les investisseurs institutionnels, quelle que soit leur nature (hedge funds, fonds de pension, banques et assurances, private equities…) gèrent l'épargne d'à peu près 300 millions de ménages des pays riches, la moitié étant américains et un quart d'entre eux étant européens. [1] Leur objectif consiste à maximiser le rendement de l'épargne de leurs mandants, compte tenu du niveau de risque que ceux-ci sont prêts à assumer.

1.4 Les investisseurs institutionnels qui connaissaient déjà un certain développement dans les pays anglo-saxons il y a 20 ans, se sont progressivement intéressés aux autres pays de l'Europe continentale sous l'influence de plusieurs facteurs. Des fonds ont également vu le jour dans les différents Etats membres. Aujourd'hui, la moitié des actifs en gestion collective reste contrôlée par les investisseurs américains.

1.5 Cet avis concerne en premier lieu les entreprises cotées en bourse puisqu'elles sont actives sur les marchés boursiers. En général, il s'agit de grandes entreprises. Cependant, comme elles exercent une influence décisive sur l'emploi et le comportement des autres entreprises, les « mutations » les affectant touchent l'ensemble de l'économie et de la société :

- elles génèrent 1 emploi sur 3 en Europe et 1 sur 2 aux Etats-Unis ;

[1] J. Peyrelevade, « Le capitalisme total », 2005, pp.39-42

- elles sont surtout présentes dans l'industrie extractive, les transports et télécommunications et les services aux entreprises, soit des branches d'importance névralgique ;
- elles influencent aussi le mode de fonctionnement des PME à travers les relations de sous-traitance et les prises de participation financières.

2. CONVERGENCE DES SYSTEMES DE CORPORATE GOUVERNANCE[2]

2.1 On distingue généralement deux ensembles d'institutions et de pratiques affectant la manière dont les entreprises sont dirigées, administrées ou contrôlées, de relations entre les parties prenantes ainsi que d'objectifs assignés à l'entreprise (corporate governance).

- Le modèle anglo-saxon est caractérisé par des entreprises dont la propriété est très dispersées et par des investisseurs institutionnels très présents même s'ils ne s'impliquent pas dans la gestion des entreprises.. Bien qu'ils n'en possèdent en général pas plus de 3 % des titres par investisseur, ils exercent leur influence à travers la vente annoncée ou réalisée de leurs actions. Ce système est typique des pays présentant un grand nombre de firmes cotées.
- Le modèle d'Europe continentale et de la majorité des autres pays dont le Japon est caractérisé par la présence d'actionnaires détenant de blocs d'action de l'ordre de 10 à 20 % qui leur confèrent un contrôle effectif. Ces investisseurs sont l'Etat, des banques ou d'autres entreprises. Ils s'impliquent directement dans la gestion des entreprises. Contrairement au modèle précédent, les travailleurs jouissent ici d'une certaine implication dans les affaires de l'entreprise, le cas extrême prenant la forme du « mitbestimmung » allemand.

2.2 Au cours des deux dernières décennies, on a constaté une convergence du modèle d'Europe continentale sur le modèle anglo-saxon. Citons parmi les facteurs de convergence : l'Acte unique européen et la privatisation d'entreprises publiques, les réformes fiscales sur les plus-values boursières qui ont amené les banques à vendre leurs participations industrielles, l'obligation du département du travail américain adressée aux investisseurs institutionnels d'exercer leurs droits de vote (1988 et 1994), la vitalité économique des Etats-Unis durant les années '90 qui contrastait avec la stagnation relative des pays d'Europe continentale, les nouvelles normes comptables internationales…

2.3 Il subsiste néanmoins une certaine diversité des formes nationales/régionales de capitalisme qui s'explique par :

- la diversité nationale des institutions économiques : le droit, la politique et la culture ainsi que la dotation en ressources ;
- l'interdépendance des marchés des capitaux et du travail, des réglementations légales et des normes orchestrant le fonctionnement des entreprises sont interdépendantes ;
- le coût de passer à un autre système car la modification d'un élément mentionné précédemment met en péril la cohérence d'ensemble.

3. IMPACTS ECONOMIQUES

3.1 La convergence des modèles de corporate governance combinée au développement des TIC, à un activisme accrû de la part des investisseurs institutionnels et à leur norme de rentabilité ont amené les grandes entreprises à maximiser à tout prix le rendement (dividendes et plus-values) de leurs titres, sans autres considérations pour leur capacité de générer des cash flows futurs

[2] James Shinn, « Private profit or public purpose ? Shallow convergence on the shareholder model", Princeton University, 2001. Etudes portent sur 14 pays : les Etats-Unis, le Royaume-Uni ; la Belgique, la France, l'Allemagne, l'Italie, les Pays-Bas et l'Espagne ; la Chine, le Japon, la Corée du Sud, la Malaisie, Singapour et Taïwan ; Roger M.Baker, « Insiders, outsiders, and change in European corporate gouvernance », University of Oxford, 2006

ou pour la nature partenariale mise en avant par le modèle social européen. (« valeur actionnariale », « shareholder value »).

3.2 Une nouvelle dynamique de gouvernance est ainsi née. Elle vise à provoquer proactivement des changements de stratégies dans le but de créer continuellement de la valeur pour l'actionnaire :

- la relution (rachat par l'entreprise de ses propres actions ; « shares buyback ») afin de réduire mécaniquement le dénominateur (nombre d'actions) de l'indicateur relatif à la rentabilité nette des capitaux propres (ROE) dont une part est détenue par ces investisseurs institutionnels ;
- les fusions-acquisitions (M&A) qui visent la création d'économies d'échelle (taille critique et synergie) ou d'envergure et/ou le renforcement de sa présence sur d'autres marchés ;
- la réduction du périmètre d'activité d'une entreprise et de l'intégration des tâches dans l'activité du groupe. L'objectif est la l'élimination des subventions croisées entre activités d'un même groupe. La transparence financière ainsi obtenue permet aux investisseurs victimes d'une asymétrie d'information « de réaliser plus facilement une diversification de leur portefeuille conforme à leur politique »[3] ;
- les délocalisations (y compris celles « dites inversées, à savoir celles qui entraînent une détérioration des conditions de l'emploi sans déplacement de l'activité de l'entreprise »[4]) afin d'outre se rapprocher de marchés dynamiques, profiter de coûts de production (essentiellement salariaux) inférieurs ;
- la réduction des effectifs et la flexibilité des contrats de travail afin de réduire les frais fixes ou convertir des frais fixes en coûts variables

3.2.1 Cependant, l'expérience a montré que dans l'ensemble, ces actions s'avérait à plus ou moins long terme infructueuse.

3.3 Non seulement la nature et la stratégie de l'entreprise a évolué mais aussi le rôle du CEO : il y a dix ans, la responsabilité d'un CEO était de gérer l'entreprise et ses actifs pour le compte des différentes parties prenantes. Aujourd'hui, l'enjeu majeur pour les CEO est de générer du résultat net pour les investisseurs. Il s'agit d'une tendance lourde. [5]

3.3.1 Le taux de départs forcés pour cause de résultats jugés insuffisants par les actionnaires a également atteint son sommet en 2005. On recense quatre fois plus de CEO évincés en 2005 par rapport à 1995. Plus d'une entreprise sur sept a connu un changement de dirigeant, contre une sur onze il y a seulement dix ans. La durée de leur mandat a été également raccourcie.

3.3.2 Par voie de conséquence, de nombreux conseils d'administration se retrouvent en manque de candidats pour succéder au CEO évincé. « Puisque les entreprises 'pillées' de leur dirigeant doivent à leur tour lui trouver un remplaçant, cette stratégie de recrutement induit un mouvement en cascade au sein de l'économie. (…) L'économie peut être déstabilisée dans tout son ensemble par de tels mouvements. L'un de ses effets immédiats est une nouvelle augmentation de la rémunération des CEO, d'une part parce que leurs nouveaux employeurs cherchent à les motiver à quitter leurs fonctions et d'autre part, parce que leurs employeurs actuels tentent de les retenir. De même, l'obligation de remplacer le dirigeant débauché cause une rupture et des pertes d'opportunités significatives au sein de la société lésée durant la période de transition ». Globalement, cette rotation de plus en plus rapide pose un autre problème car « les transformations nécessaires aux entreprises prennent habituellement trois ou quatre ans pour être mises en œuvre ».

3.4 Ces quelques considérations posent la question de savoir si le système économique européen opère bien de manière à garantir une « allocation efficace des ressources » au sens des articles 98 et 105 du Traité sur la politique économique.

[3] F. Morin, « Le nouveau mur de l'argent : essai sur la finance globalisée », 2006, pp.75-76

[4] Parlement européen, « Rapport sur les délocalisations dans le contexte du développement régional », 2006

[5] Booz Allen Hamilton, « CEO succession 2005, The crest of the wave », 2006.

4. COHESION/INEGALITES SOCIALES

4.1 D'une part, Si l'on a souvent par le passé justifier les rémunérations élevées versées aux actionnaires par le risque des opérations dans lesquelles ils engageaient leur capital, le fondement de cet argument est mis à rudes épreuves par les développements des dernières années.

4.1.1 En effet, la responsabilité est limitée à leurs seuls apports et la négociabilité de leur actif liée à une liquidité croissante des marchés financiers et boursiers grâce aux nouvelles technologies et à leur mondialisation réduisent considérablement l'intensité du risque qu'ils portent en leur donnant une capacité d'exit et de diversification sans égale.

4.2 D'autre part, « des économistes ont observé une saisonnalité des licenciements économiques, qui culminent en janvier et en juin, c'est-à-dire lors de la définition et de la révision des budgets annuels dans les entreprises. Ils en ont conclu que ces licenciements étaient plus destinés à améliorer les résultats financiers plus qu'à des nécessités industrielles. D'une certaine manière, l'ambition des managers semble être de transformer le travail en une marchandise aussi fluide que l'est devenu le capital. Les effets de cette volonté de rendre plus 'flexible' la main d'oeuvre ont été mesurés : des travaux menés dans les années 1990 montraient déjà que le délai d'ajustement des effectifs au rythme de l'activité économique était passé, en quelques années, de l'ordre de douze à dix-huit mois à environ cinq à huit mois, selon les branches »[6]

4.2.1 Par ailleurs, l'individualisation des contrats de travail et des rémunérations est à l'ordre du jour ainsi qu'une profusion de contrats atypiques tels que les contrats à durée déterminée et le temps partiel afin de convertir une partie des frais fixes liés aux rémunérations en coûts variables. En 1992, 25,4 % des travailleurs étaient concernés par un contrat à durée déterminée ou un temps partiel. En 2005, la proportion avait grimpé à 33%. La profusion de ce type de contrats précaires s'est déroulée à un rythme plus rapide que celui des créations d'emplois pour tout la période (excepté en 2005)

4.2.2 Il en résulte de nouveaux risques pour les travailleurs et les entreprises :

- les entreprises n'investissent pas dans ces travailleurs mobiles et ceux-ci ne font pas l'effort, se sentant moins impliqués dans l'entreprise et craignant que les bénéfices nets actualisés de la formation ne s'avèrent pas positifs ;[7]
- le capital humain qui est de plus en plus spécifique aux entreprises dans la société de la connaissance est faiblement redéployable (= pas réellement transposable d'une firme à l'autre) ;
- les représentants des travailleurs n'identifient plus qui sont les dirigeants auxquels ils doivent s'adresser dans le cadre du dialogue social, « leur patron » se résumant à une atomisation d'actionnaires fluctuants sur lesquels « ils ne peuvent mettre un visage » ;
- les travailleurs sont mis en concurrence :
  - → au niveau mondial, en raison de la forte mobilité du capital productif et du capital financier et au doublement du nombre de travailleurs qui participent à l'économie suite à l'effondrement du bloc soviétique et de l'entrée sur la scène internationale de la Chine et de l'Inde notamment ;
  - → au niveau national en raison du taux de chômage, de la prolifération des emplois de piètres qualité qui renchérit la valeur des emplois de qualité, et du paradoxe de la formation : d'un côté, il est de bon ton de pointer du doigt le besoin de formation et l'inadéquation des compétences, d'un autre, près d'un travailleur sur trois se dit surqualifié par rapport aux compétences exigées par son activité professionnelle, les moins qualifiés et les travailleurs intérimaires ne se voient pas offrir de formation en suffisance.[8] Dès lors, on est en droit de se demander si la « société de la connaissance » a réellement un sens ;

[6] D. Plihon, « Précarité et flexibilité du travail, avatars de la mondialisation du capital », 2006

[7] Alors que le capital humain est de plus en plus pointé comme facteur de compétitivité dans une économie de la connaissance, il est étonnant qu'il n'apparaisse pas à l'actif des bilans des entreprises…

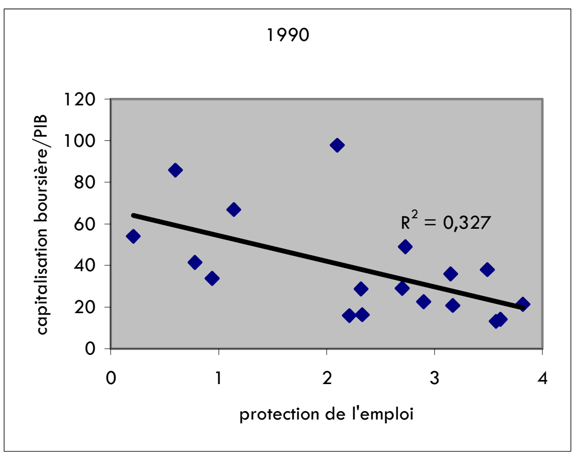
[8] Dublin Foundation, « Fourth European Working Conditions Survey », 2007, p 49

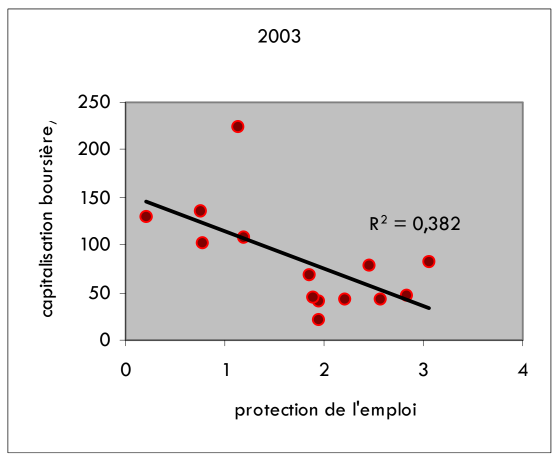
- → cette mise en concurrence est d'autant plus vive que la mobilité des travailleurs est relativement limitée en raison du maintien des périodes transitoires des lois relatives à la migration économique selon lesquelles l'accès pour un étranger à un marché du travail est conditionné à l'existence de pénuries dans certains corps de métiers (restrictions politiques), ou à l'absence de réels progrès en matière de portabilité des pensions ou à une surchauffe du marché immobilier (restrictions socio-économiques) ou des connaissances linguistiques insuffisantes (restrictions culturelles) ;

4.2.3 La position des travailleurs et des sans-emploi se voit ainsi fragilisée. D'où l'importance de donner de la consistance au modèle social européen en concrétisant la « flexicurité » de manière équilibrée eu égard à ce contexte.

4.3 Jusqu'à présent cependant, un tel équilibre n'a pas été atteint. Tandis que les marchés financiers et boursiers connaissaient une évolution exponentielle au cours des dernières années, le droit du travail a évolué en sens contraire c'est-à-dire en ne fournissant pas aux travailleurs les protections suffisantes.

- On constate tout d'abord qu'il existe un lien statistiquement significatif entre les deux indicateurs ;
- Ensuite, la médiane des capitalisations boursières pour les pays couverts est passée de 29 % du PIB à 82 % du PIB entre 1990 et 2003. Par contre, on observe un resserrement des réglementations de la protection de l'emploi surtout dans les années '90.





Commentaires et sources : Graphiques inspirés de Hall et Soskice (2001). Afin de pouvoir tracer les développements de la protection des travailleurs depuis 1990 jusque 2003, il est fait référence à l'indicateur « EPL version 1 » de l'OCDE qui ignore les réglementations relatives aux licenciements collectifs. La capitalisation boursière exprimée en %age du PIB provient de l'International Federation of Stock Exchanges.
Les pays couverts sont tous des membres de l'OCDE et représentent 85 % de la capitalisation boursière mondiale.

- Dans le même temps, les efforts réalisés en matière de formation continue restent largement insuffisants.[9]

Ceci est révélateur du lien entre l'exigence de surprofit à court terme des actionnaires et la flexibilité (et précarisation accrue) du travail qui devient une variable d'ajustement pour les entreprises.

4.3.1 « La stabilité de l'emploi est un but plus facilement réalisable lorsque le système financier assure l'accès au capital indépendamment de la profitabilité immédiate. A l'inverse, des marchés du travail fluides peuvent soutenir plus efficacement l'emploi en présence de marchés financiers qui transfèrent aisément les ressources d'une activité à l'autre, stimulant par là même la demande de main-d'œuvre. (…) Une bourse fortement développée indique une préférence, dans la sphère financière, pour des modes de coordination centrés sur le marché,

[9] Cf. note de bas de page 9.

tandis que des niveaux de protection de l'emploi élevés tendent à refléter l'importance de la coordination hors marché dans la sphère des relations industrielles. »[10] Les pays anglo-saxons (USA, UK, CAN, AUS) présentent la première caractéristique, les pays d'Europe continentale et le Japon la seconde.

4.3.2 Se rappelant qu'un système économique est un produit de l'histoire (2.3), il est aisément compréhensible que la convergence des modèles de corporate governance (2.1, 2.2) n'ait pas produit en Europe continentale d'effets particulièrement visibles en termes de lutte contre le chômage alors que le modèle social européen repose notamment sur une économie sociale de marché qui suppose une approche partenariale au sens large qui dépasse les intérêts des seuls actionnaires..

4.4 Depuis plusieurs années, nous sommes entrés dans une phase de forte modération salariale sous la pression de la concurrence internationale qui s'intensifie et sous la pression des normes de rentabilité. Cependant, toutes les classes socioprofessionnelles ne sont pas concernées par le phénomène.

4.4.1 Dès lors et comme cela se pratique aux Etats-Unis[11], la Commission européenne, Eurostat et la BCE devraient affiner leurs données statistiques en les déclinant (au moins) par quintiles pour mieux identifier quelles catégories de personnes (très hauts salaires, très bas salaires, tranches intermédiaires) sont à l'origine de la croissance de la masse salariale globale de manière à mieux évaluer les risques pesant sur la stabilité des prix sachant que les populations appartenant à ces différentes tranches n'ont pas la même propension à consommer. [12]

5. R&D ET INNOVATION

5.1 Les nouvelles règles du jeu découlant de la mondialisation financière risquent de peser sur l'innovation. Le taux de rotation des actions des sociétés cotées (qui sont par ailleurs les acteurs principaux dans la R&D) a connu une forte augmentation depuis le milieu des années '90. Son corollaire, la durée de détention a par conséquent diminué : alors qu'en moyenne, une action était détenue pendant 13 mois en 1995, aujourd'hui elle n'est conservée que durant 7 mois.[13] Dans ces conditions, on peut se demander comment un CEO osera aventurer son entreprise dans la R&D si la propriété de l'entreprise qu'il dirige est aussi volatile ?

5.2 Par ailleurs, comme les investisseurs institutionnels ont tendance à faire preuve de mimétisme dans leur décision d'investissement, il reste possible que cela donne lieu à des sur-investissements dans certains secteurs et simultanément à des sous-investissements dans d'autres secteurs ainsi que la crise boursière de 2000-2001 en a témoigné.

5.3 Quant aux private equitites, s'ils apportent du capital-risque indispensable au lancement de nouvelles activités par des entreprises de taille modeste (start-up), ce créneau décline depuis quelques années (2003 : moins de 10 % de leurs investissements).[14] L'activité des private equities est par contre de plus en plus axée autour des buy-outs, des rachats d'entreprises (2003 : plus de 60 %). (Voir chapitre « Effets de levier & risques systémiques ») Cette tendance n'est d'ailleurs pas non plus de nature à stimuler l'investissement puisque, à cause du risque de cette activité, le private equity aura pour priorité le remboursement et la rémunération des actionnaires, plutôt que l'investissement de long terme.

5.4 Outre la R&D, les interactions dites « tacites »[15] sont un facteur de compétitivité de plus en plus important pour l'ensemble des entreprises. Ces interactions tacites impliquent l'échange d'informations, la formulation d'opinions, la coordination et le suivi d'autres activités et combinent différentes formes de connaissance dans les échanges (biens, services et

[10] P.A. Hall, D. Soskice, « Varietes of capitalism. The institutional foundations of comparative advantage », 2001
[11] Cf. les enquêtes triennales "US Survey of Consumer Finances"
[12] Des travaux récents ont pointé dans cette direction. Citons notamment T. Piketty, E. Saez: « The evolution of top incomes : a historical and international perspectives », American Economic Review, 2006
[13] Ces chiffres sont relatifs aux Nasdaq, NYSE, LSE, à Euronext et à la Deutsche Börse.
[14] Deutsche Bank Research, « Private equity in Europe », janvier 2005.
[15] The McKinsey Quarterly, « Competitive advantage from better interactions », 2006, number 2

informations) avec les autres travailleurs, les clients et les fournisseurs. Les employés qui mobilisent ce type d'aptitude représentent aujourd'hui entre 25 et 50 % de la force de travail.

5.4.1 Si elles veulent gagner en compétitivité, les firmes ne peuvent plus miser sur la standardisation du travail des employés qui en font usage ou sur leur substitution par des machines. Au contraire, elles doivent lever les barrières organisationnelles, instaurer un climat de confiance entre leur personnel mais aussi entre eux et elles-mêmes et leur permettre de prendre des décisions et de communiquer rapidement et facilement. Il en résulte donc que leur force réside dans la connaissance collective spécifique à l'entreprise et qui émerge au fil du temps.

5.4.2 Les entreprises disposent aujourd'hui de beaucoup de marge de manœuvre pour améliorer la productivité des travailleurs impliqués dans des interactions tacites, ce qui est moins le cas pour les autres. Cela se reflète dans la grande disparité de performances dans les secteurs où ce type d'emplois est important. Le dialogue social sectoriel a un rôle à jouer ici afin de procéder à des échanges d'expériences entre entreprises dans le cadre de séminaires et d'études notamment.

5.4.3 Cet accent sur les compétences spécifiques aux entreprises pose des questions quant à la flexicurité qui, elle, suppose plutôt une formation générique pour retrouver un emploi dans une autre entreprise qui serait éventuellement active dans un autre secteur que celle que le travailleur quitte.

6. EFFETS DE LEVIER & RISQUES SYSTEMIQUES

6.1 Les buy-outs auxquels procèdent les private equities sont une activité de nature spéculative qui repose sur l'endettement et sur un pari quant à la possibilité d'utiliser les rendements générés par la firme cible pour rembourser l'emprunt.

6.1.1 Au second semestre 2006, les signaux d'alarme en provenance de banques centrales (BCE, Bank of England) et d'agences de notations (Standard's and Poor) se sont multipliés en réponse à l'ébullition que connaît ce secteur (500 milliards $) qui a levé en 2005, 70 milliards $ de plus que l'année précédente. Ils évoquent tantôt un risque systémique suite à la forte hausse de la dette des sociétés, tantôt une multiplication de junk bonds qui atteint des niveaux délicats.

6.1.2 Il s'agit d'un dilemme pour les autorités monétaires car toute hausse des taux qui freinerait cette activité condamnerait simultanément des entreprises qui survivent actuellement grâce à l'excès de liquidité globale.

6.1.3 Les buy-outs posent deux autres questions de nature tout à fait différente mais pas moins essentielles :

- Dans la mesure où l'opération est réalisée par le biais de la constitution d'un holding, la directive sur l'information/consultation des travailleurs ne s'applique pas. Il en résulte une moindre participation de ces travailleurs qui selon l'EVCA sont au nombre d'un million en Europe.
- A travers les LBO, les fonds d'investissement peuvent siéger au nom de la société qu'ils détiennent dans le conseil d'administration d'un grand groupe européen actif dans un secteur crucial tel que l'aérospatial. Etant donné que certains fonds d'origine américaine entretiennent des liens particulièrement étroits avec le pouvoir politique et les services de renseignements américains, l'indépendance technologique, militaire et politique de l'UE est mise en péril dans la mesure où la participation au conseil d'administration donne accès à des informations confidentielles.[16]

6.2 Les hedge funds constituent une industrie de plus de 1,5 milliers de milliards $. Ces fonds ne sont pas nouveaux mais ils ont pris une ampleur particulièrement importante au cours de ces 20 dernières années. Le secteur fait face à des pressions d'investisseurs comme les fonds de pension pour accroître leur transparence. Cette exigence a récemment donné lieu à la mise au point de notation de crédits et de risque par différentes agences de notation.

[16] B. Carayon, « Patriotisme économique : de la guerre à la paix économique », 2006, p.119

6.2.1 A leur tour et en raison de leur poids financier colossal, ils exercent une influence importante sur les marchés financiers, boursiers et monétaires qui pourraient donner lieu à des réflexions approfondies :

- Les régulateurs américain, anglais et européens ont récemment répété leur préoccupation que les banques d'investissements pourraient permettre aux hedge funds d'accroître leur capacité d'emprunts en utilisant des collatéraux relativement illiquides et dont la valeur pourrait par conséquent rapidement chuter en cas de crise financière. Ils s'interrogent aussi sur les véhicules *offshore* jouant sur l'effet de levier qui permettent aux banques américaines d'étendre les crédits aux hedge funds au-delà des limites légales.
- Les hedge funds sont aussi actifs dans le segment du « carry trade » c'est-à-dire dans les opérations par lesquelles les investisseurs empruntent dans des devises à faible taux d'intérêt (tel que le yen ou la franc suisse) afin d'investir dans des devises qui payent des taux d'intérêts supérieurs (dollar australien). De plus en plus de banques dont la BRI et d'économistes sont convaincus que cette activité très rémunératrice pour les hedge funds est un facteur explicatif de la faiblesse du yen qui a atteint fin janvier un niveau plancher (depuis 4 ans) par rapport au dollar américain. Un changement d'intérêt soudain (consécutif à un relèvement des taux japonais en réponse à la vigueur de l'économie nipponne) pour la devise japonaise pourrait dégénérer en une crise financière. Le « carry trade » de nature spéculative est estimée à son plus haut niveau par Barclays Capital depuis la crise russe de 1998…

6.3 Les dérivés permettent aux banques d'évacuer les risques de leur bilan en les convertissant en produits financiers complexes faisant l'objet de transactions. Ce faisant, le risque est atomisé mais répandu dans l'économie, vers des agents qui peuvent ne pas être soumis à des règles prudentielles.

6.3.1 Si la probabilité statistique d'un choc financier majeur avec des répercussions systémiques a diminué au fil du temps, un choc reste probable et les dégâts seraient plus importants que par le passé à cause en raison notamment des liens plus étroits entre les institutions et les marchés à cause des innovations financières qui ont permis une meilleure intégration des marchés et des opérations de fusions-acquisitions dans les secteurs de la banque et de l'assurance.[17]

6.3.2 En raison d'un effet de levier qui a été démultiplié ces dernières années et qui par définition n'apparaît pas au bilan, il est impossible d'estimer quels sont les montants réellement en jeu et le risque auquel le système économique est exposé.

7. RECOMMANDATIONS

7.1 « Le Comité exhorte la Commission, conformément à son plan d'action sur la modernisation du droit des sociétés et du gouvernement d'entreprise, à présenter au plus vite sa proposition législative visant à renforcer l'information fournie par les investisseurs institutionnels en ce qui concerne leur politique en matière d'investissement et de vote. »[18] Ceci est particulièrement pertinent pour la crédibilité des fonds réalisant des investissements socialement responsables qu'il convient de promouvoir.

7.2 Conditionner l'octroi des avantages fiscaux aux fonds de pension à la qualité et à la responsabilité sociale de leurs politiques d'investissement financier, les investissements socialement responsables ne représentant actuellement qu'entre 1 à 2 % de l'encours.

7.3 Afin d'échapper au court-termisme et en prévision de la refonte du budget européen (recettes et dépenses) que proposera la Commission européenne en 2008/9, le CESE propose la création d'un impôt européen frappant les entreprises qui réalisent des profits supérieurs d'un certain pourcentage à la médiane des profits des entreprises du secteur. Cet impôt approvisionnerait un nouveau fonds européen décliné en autant de secteurs et destiné au financement de projets

[17] Financial Times, 30 janvier 2007
[18] CESE, INT/232, « Révision du marché intérieur », 2007

transeuropéens de R&D et gérés par le Conseil européen de la Recherche en concertation avec les interlocuteurs sociaux européens réunis en dialogue social sectoriel.

7.4 Appliquer des normes prudentielles à l'ensemble des investisseurs institutionnels non encore concernés et en particulier aux hedge funds et aux private equities funds afin de les discipliner.

7.5 Dans le contexte de la mondialisation financière, l'instabilité des prix d'actifs financiers (et immobiliers) est beaucoup plus dangereuse que l'inflation des prix des biens et services. Dès lors, la BCE devrait intégrer la stabilité financière (et des prix d'actifs) dans ses objectifs prioritaires.[19]

7.6 Mettre en place dans les Etats membres une fiscalité différenciée selon que les profits sont distribués ou réinvestis dans l'entreprise.

7.7 Renforcer la coordination des politiques fiscales avec fixation de minima, en particulier pour les différentes formes de fiscalité du capital. Cette politique se justifie dans un double souci d'équité et d'efficacité économique.

7.8 Réflexion sur un dialogue transatlantique élargi au Japon en matière de stabilité financière, en s'inspirant du dialogue sur les questions commerciales (OMC)

7.9 Les statistiques relatives aux salaires devraient au moins être déclinées par quintiles afin de mieux évaluer l'impact de la politique salariale sur la stabilité des prix.

7.10 Il est important de mettre au point des outils statistiques permettant de mieux cerner l'industrie des hedge funds et des private equities ainsi que des indicateurs relatifs à la corporate governance.

7.11 La Commission et les Etats membres doivent veiller à ce que la responsabilité sociale des entreprises intègrent bien l'ensemble des parties prenantes, y compris les fonds de placement qui exerce une influence sur les sociétés dans lesquelles ils sont impliqués et qu'ils dirigent parfois. A cet égard, le CESE s'interroge sur l'application de la directive 2002/14 sur l'information/consultation des travailleurs aux holdings et demande que cette directive soit revue si ceux-ci n'étaient pas concernés.

7.12 Il est demandé à la Commission de prendre en compte cet avis lorsqu'elle donnera suite au Livre vert sur la modernisation du droit du travail, en particulier dans la définition qu'elle proposera de la « flexicurité » et de manière générale, lorsqu'elle formule des recommandations dans le cadre des lignes directrices intégrées, du marché intérieur ou de la politique d'emploi.

[19] Conseil d'Analyse Economique, « Les crises financières », 2004

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PRESENTATION TO TRADE UNION SPONSORED LABOUR MPS ON PRIVATE EQUITY AND LEVERAGED BUYOUTS

Peter Rossman, IUF Communications Director

To understand private equity, where it comes from, how it works, and what is its impact, I believe we have to take a look at the broader environment in which it functions. That means understanding the larger changes in recent decades to the way companies finance and run their operations and what it means for workers and the economy generally.

The main factor driving developments here is the transformation of share ownership and increased corporate reliance on "institutional investors". These are the investment banks, insurance companies, and public and private pension funds who have provided the capital for the mergers and acquisitions of the past 15-20 years. In North America, for example, institutional investors account for 75% of all stock trades. Thirty-five percent of global investment is financed by pension funds. This new form of investment capital is volatile, highly mobile, and linked to a variety of new financial instruments based on debt. This is what we mean when we talk about *financialization* of the economy. Financialized capital is not only highly **concentrated,** it is extremely **impatient**, demanding short- term rates of return on the order of 15-20%, and rising. In the hotel sector, for example, the international hotel chains are under pressure to match financial market leaders like InterContinental Hotels Group (IHG), which returns 16% to shareholders every year.

The same pressure for high rates of return is driving restructuring and closures in the food and beverage sector. In February last year, for example, Nestlé - the world's largest food company - announced a 21% increase in net profits and a 12.5% dividend. They also announced they would allocate 1 billion Swiss francs for a new round of share buy-backs in addition to the 3 billion franc share buy-back implemented only three months earlier. The same dynamic is driving restructuring, closures and sell-offs in Unilever. Investors have been promised that the elimination of 20,000 jobs will "release" 30 billion US$ to fund dividend payouts and more share buybacks. When the company sold its frozen foods division last year to Permira for €1.7 billion, every cent of the after tax profit on the deal was returned to shareholders. When you read that a company is divesting itself of this or that division to concentrate on its core business, take a closer look at where the money from the sale goes - it's not going into investment, its going back to financial investors, in many cases 100% of it.

What this means in practice is that the real economy of goods and services has been subordinated to the competitive logic of global financial markets. Food companies, for example, are no longer simply competing in yogurt, or carbonated drinks, or processed meats. They are competing on global financial markets to deliver the fastest and biggest possible rates of return to these new, impatient, financial investors.

One important consequence of this is the **declining rate of real investment** as a percentage of company cash flow. (The other side of this relative decline in real investment is the steady inflation of bonuses, executive salaries, stock options, dividends etc.). Less and less income is retained internally as investors grab more. This means that in many leading companies even R&D has stagnated or declined relative to cash flow. Productivity is boosted in the short-term though reducing payroll, increased reliance on outsourcing and casualization, and simply extracting more with less by inducing *competition between individual units within the firm* on the basis of the existing plant and equipment. All of this results in a general degradation of working conditions, and it is clearly not sustainable.

In effect, financial investors have imposed a levy on the real economy of goods and services. These are the kinds of pressures to reward short-term financial investors which drive Unilever to sell a division containing some of the most productive facilities in the UK and Europe. This is why Nestlé has no money to invest significantly in its Rowntree facilities in York, where it announced over 600 redundancies last year, at the same time as it spent 4 billion Swiss francs on buying back its own shares. Confirmation of this analysis comes from no less a source than Nestlé's CFO, who late last year admitted that Nestlé's capital stock was "dangerously" weak.

So the corporate environment in general is dominated by short-term investment strategies geared to maximizing financial rewards. Companies which favor long-term, strategic investment and fail to drastically reduce their payroll are severely punished by the markets. This is the dynamic behind what the French call "stock market layoffs." If investors are squeezing their portfolios to generate bigger and bigger returns, where is all this money going? One destination is increasingly private equity buyout funds - enormous pools of money provided largely by institutional investors and managed by the fund for the purpose of acquiring other companies in whole or in part, delisting them from stock exchanges if they are publicly listed, restructuring them and then selling them to other investors, either through public stock offerings or to another buyout fund. While private equity firms have traditionally set targeted rates of return of 20 to 25% annually, the largest funds have generated returns of 40% a year over the past 10 years.

The general tendency for investors to squeeze company cash flow and sell off physical assets in pursuit of short-term profits is accelerated and compressed in the private equity buyout process. When we talk about private equity, we're really talking about leveraged buyouts. Leverage is just another word for debt, and there's nothing new about leveraged buyouts. They were big in the US in the 1980's, culminating in the famous 38 billion-dollar buyout of RJR Nabisco that produced a book, a movie, and a wave of junk bonds that eventually landed some traders in prison. They also destroyed a number of companies, including Nabisco, and a lot of workers' lives.

The private equity industry deliberately cultivates confusion about their operations by organizing into so-called Venture Capital Associations. But venture capital - startup money for new firms - is only a very small part of what they do. In fact generally less than 10% of private equity investments go for startups, and in the UK it's on the order of 6-7%.

European private equity deals hit €178 billion last year, a 40% per cent increase over 2005. Eighty percent of this went to buyouts. In the last quarter of 2006, two-thirds of the buyouts were deals for over €1 billion. The big deals in the UK last year were Bird's Eye and the €2.3 billion takeover of United Biscuits. Number three in the UK was restaurant owner Gondola Holdings (Pizza Express) for more than 1.3 billion. So we're talking about big companies, with significant assets and large payrolls. But it's above all the cash flow that attracts leveraged buyouts, which are designed to deliver quick, big returns. Here's how it's done.

Company purchases are financed through heavily "leveraged" deals in which the private equity fund provides some 20% of the cash and the rest is borrowed. In the UK, this typically takes the form of a limited partnership, with the fund manager as a General Partner. The fund managers get an annual management fee, plus additional fees for each financial service (usually new loans) all of which can total up to as much of 5%. Imagine the sums involved when you're dealing in billion dollar investments. Also keep in mind that there is no VAT on these fees. When the acquired company is sold, the funds get a percentage of the profit - normally 20% - which is called "carried interest".

In theory these generous rewards are compensation for the risk taken by the private equity fund, but that's not what really happens. Once a company is bought, the new owners take on additional debt to finance large dividends through a mechanism known as "dividend recapitalization" ("recaps"). With dividend recaps a significant part of the initial investment is quickly recouped. For example KKR, Carlyle and Providence paid themselves a USD 250 million dividend in October 2004, *only a month* after putting 550 million into a USD 4.1 billion deal for satellite operator PanAmSat Corp. As one private equity executive remarked at the time, "If you can return capital early to limited partners, it's a no-brainer". The workers are left to shoulder the risks and the cost.

Permira bought the German chemical company Cognis in 2001 for €2.5 billion, using only 450 million of their own money. In 2000, the company had an after-tax profit of €109 million. Staggering under accumulated interest payments, despite rising sales it last year *lost* 136 million, and has begun laying off workers as it heads for possible bankruptcy. Yet Permira and Goldman Sachs have already taken out €850 million.

According to Standard and Poors, global recapitalization in private equity increased tenfold from 2002 to 2005. Recaps now account for close to a third of all income flows back to the new owners in the global private equity sector. The target company, stuck with the burden of repaying the loans and the various financial fees which accrue to the buyout fund, pays for its own takeover as equity is transformed into debt. The consequences of these financial mechanisms for management strategy can only be asset stripping as cash flow and financial reserves are plundered, investment reduced and payrolls slashed.

As the deals get bigger, the debt increases not only in absolute terms, but also as a percentage of the operation. Buyouts used to be based on a calculation that profits could be made if the purchase price were a multiple of up to six times the target company's free cash flow. This is called the debt multiple. Debt multiples have almost doubled in the last three years, hitting an average 10.2 times free cash flow for deals over GBP 100 million.

The debt is financed in two ways, either directly by the banks in the form of high-risk bonds, or indirectly in the form of securitized debt, in which case a portion of the risk is offloaded on to other financial agencies. Increasingly we're seeing hedge funds investing more and more in these instruments and in private equity generally. All of this adds up to a debt mountain which is extremely insecure and threatens the health of the UK and global financial systems. A rise in interest rates, the collapse of a major hedge fund (and we've already seen two big ones fail in recent years), a drop in the stock market or the failure of one or more of the big buyout funds could shake the whole structure. This is what has prompted warnings from the UK Financial Services Authority.

An important development to note is the growing tendency for private equity investors to sell to other private equity funds instead of going public again. Some 40% or more of all private equity deals now go through secondary, tertiary buyouts or even more, as in the case of Little Chef. With each transaction of this sort, the debt increases exponentially, and the job cuts bite even deeper. According to the rating agency Fitch, the overall debt level of European companies owned by private equity is close to six times annual cash flow, and rising. Even when, against all odds, restructuring allows a company to grow, it is buried under a pile of debt which makes growth extremely insecure. So when we evaluate the claims made by the private equity lobby about revitalizing the companies they buy, creating new dynamic businesses etc., we have to take all this into account. The real indicators are not the sale value, but the long-term prospects for growth. We have to take a much longer perspective than the 3 to 5 years which the private equity industry calls "long term". Time constraints and the combined pressures of the debt and the investor appetites absolutely work against sustainable and innovative investment and development. There are simply no resources available. Assets have to be stripped.

Here are a couple of examples.

The Danish telecommunications operator TDC was taken over in 2005 by a group of five of the biggest private equity firms - Permira, Apax, Blackstone, KKR and Providence Equity for €12 billion, the record European deal at the time. Over 80% of the purchase price was debt financed. With the purchase the company's debt to asset ratio jumped from 18% to over 90%, at higher interest rates than what they'd previously been paying. The equivalent of over half the company's assets were then immediately distributed in shares to the new owners and top managers. The only reason we know this is that the private equity consortium didn't succeed in buying 100% of the shares: union pension funds managed to retain enough to keep it listed and guarantee minimum disclosure, although no one has been able to explain the new owners' strategic plan. Reserves that the company had set aside for long-term development are now depleted, and the owners plan to sell the company within 5 years of its purchase. Some estimates reckon that the Danish government will have lost over €2 billion in tax revenue through this deal, which could easily wreck the company.

Unlike TDC, which had successfully restructured before the buyout, Eircom, Ireland's national telecom provider, was a company in need of long term strategic investment. The company was privatized by the government in 1998 and acquired by the private equity consortium Valentia in 2001. Eircom paid for the loans by issuing bonds which raised its debt from 25% to 70% of its assets. Eircom capital expenditures declined from €700 million in 2001 to 300 million in 2002 and 200 million in 2003 and 2004. *While cutting back radically on investment it paid a €400 million dividend to Valentia.*

These examples are typical. At a time when buyout funds are expanding into a whole range of public service activities including transport, telecommunications, health care and even education it is time to ask whether we want to turn over the provision of vital public services to this kind of predatory financing.

I would like to make three more points. First, the impact of private equity is not limited to the companies it acquires. The funds have gotten so big that virtually every publicly listed company is now a takeover target. 2007 is being talked about as the year of the 50 billion-dollar buyout deal. The response of listed companies fighting a takeover bid is invariably to slash costs and payrolls. You can see this clearly with the retailer Coles Myer in Australia, which tried to resist a buyout by slashing 2,500 jobs to show it was serious about "delivering value" to shareholders. Now that Texas Pacific Group has taken it over, more job cuts are expected. A pre-bid environment hangs over the economy as a whole, meaning short termism is institutionalized, bringing with it more job cuts and more attacks on wages and working conditions and more attacks on trade union rights.

Second, existing legislation at nearly every level fails to take account of the role of private equity as employers. We've all seen the figures on UK employment and private equity - companies owned by the funds employ up to one in 6 private sector workers. The funds actively intervene in management decisions, imposing layoffs and restructurings. They make decisions affecting the lives of millions of British workers, yet they call themselves an "asset class" rather than employers. Blackstone, the largest US private equity fund, owns companies employing 380,000 workers around the world, but claims to have only 500 employees. KKR, Blackstone and TPG own & control companies with USD130 billion in assets. They employ over 1.2 million workers around the world, including the UK. Each fund employs more overseas workers than any of the top ten TNCs in the world, including GE, which is generally rated number 1 in the TNC league. But the funds aren't recognized as employers by national governments or international agencies. Even in the European Union they operate in a parallel universe outside legislation establishing and enforcing employer responsibilities, like the Acquired Rights Directive. The funds are focused entirely on exiting the investment. From this point of view, employees are merely an expense, and we've seen the kinds of industrial relations practices this leads to. This situation clearly has to change.

Finally, I want to remind you, as Members of Parliament, that the explosive growth of the buyout funds in recent years is not a natural process arising from the normal workings of a market economy, but is in fact the result of pressure to change laws and regulations which spring from a well organized investor lobby. Leveraged buyouts can only grow and expand when very specific conditions are met concerning areas like capital gain tax, corporate legal structures, offshoring arrangements, pension fund investments and so on. It took only one change to the German federal tax code - the abolition of capital gains tax on the sale of businesses in 2003 - to pave the way for what many in Germany now call the locusts, which in a few years have bought up some of Germany's leading companies, in whole or in part. Locusts describes the way they eat up assets, but it's not helpful in understanding where they came from. They're not a biblical plague or a natural disaster, they arrived in the wake of a massive lobbying effort and very specific political interventions. Political intervention, through laws and regulations, has the power to block their expansion.

Markets, and financial markets in particular, have always required regulation, not least to keep them from self-destructing. We're being told that returning value to investors is in everyone's interest, because investors know best how to invest. This is false, because what is best for the individual investor is not necessarily best for the individual company, its workers, the wider community or the economy as a whole. Investors cannot be forced to invest, but regulation can choke off the more destructive destinations for investor capital and channel it back into useful activity which benefits society as a whole through contributing to sustainable long-term growth.

The UK private equity lobby is on the defensive, and to defend itself it is making a series of highly dubious claims concerning their contribution to the UK economy. None of these claims will stand up to serious scrutiny. I therefore think it's time to launch an open, transparent and thorough parliamentary investigation of the private equity industry in the UK as part of taking action to stop this threat to the UK economy and society. This should be linked to the growing debate on private equity currently taking place in European capitals and in the European Parliament.

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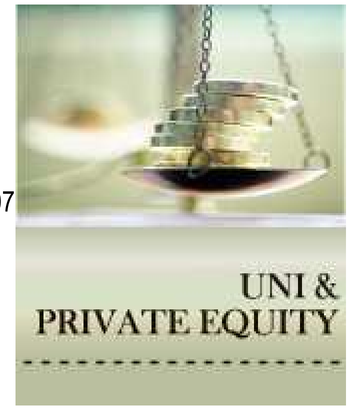
The International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) is an international trade union federation composed of 371 trade unions in 128 countries with an affiliated membership of over 2.8 million members. It is based in Geneva, Switzerland.

UNI Global Union challenges Private Equity at World Economic Forum

26/01/2007



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Speech by Philip J. Jennings at the World Economic Forum

2006 saw record merger activity. Over a quarter of all deals involved private equity. Private equity companies are raising record funds. They are awarding themselves record bonuses.
I am not a private equity deal-making insider. I represent millions of workers – who see private equity as the new face of global capitalism. It has not always been good news and many of them have been impacted.
Private equity is fueling insecurity but is insensitive to this, to people, to communities.
Private equity is bending rules in a way that will provoke a backlash.
My task today is to challenge private equity.
Based on my encounters with unions who have seen private equity deals in the raw, I want to identify five areas of concern with private equity funds.

1. You are not in these deals for the long term.

Your philosophy: buy it, strip it and flip it.
These deals are not about innovation but about buying at a good price and selling at a handsome profit.
It is no longer true that you hold onto an investment for several years to try and make the business more efficient and then cash out.
To many, it now looks like the priority is to pay yourselves hefty fees, hefty dividends and look to cash out when it suits you.
What your challengers are saying is that private equity is really about leveraged legal looting of a business.
You are an oligopolistic deal club that is about making a financial bet, not good strategic decision-making.
Yes, pension funds have made returns from their investment in you – but how sustainable is this?

2. You are crippling the companies you buy with too much debt.

Debt levels are dangerously and unprecedently high. As one commentator said, “There is no question that there is a big black cloud hanging over the industry.”
This results in exaggerated responses by the management of the companies concerned.
Their priority: settle the debt. Your priority: take more debt to pay fees and dividends.
It is like a slasher movie. You slash jobs, health, pensions, working conditions. This in turn impacts communities, services and customers, for whom you care little. The “deal” takes precedence.
At a time when we are looking for companies to be more transparent, you are taking corporate governance underground. Does this mean you have abandoned any sense of broader responsibilities?

3. What happens when the so-called “goldilocks economy” changes?

Who owns the risk?
With these complicated financial instruments, what happens when the company fails?
Are you still in the investment for the long term?
How loyal will you be when companies cannot meet their debt repayments?
We are in uncharted waters. What happens when you hit the reef?

This is going to come back and haunt markets when the economy sours.

4. Why can't you level with the public?

I read that "you can't understand private equity if you don't understand the fees. It's all about the fees – more specifically performance fees."
You have found a new mechanism to become fabulously wealthy.
You are leaving ordinary working people – the middle classes – behind. Their earnings have stagnated, whilst yours are in the stratosphere.
To many, it looks like you have lost your moral compass.
You keep up pressure to fuel the deals, to fuel the fees and drive up your already bloated earnings.

5. You face extraordinary ethical concerns.

We are worried about market abuse and conflicts of interest. It was not a Global Union that penned the article in Business Week titled "Gluttons at the Gate" and which stated that private equity firms are using slick new tricks to gorge on corporate assets.
You tell the world you are getting around regulation, avoiding good corporate governance practices. Well this raises suspicions everywhere. This arrogant rejection of corporate social responsibility is encouraging regulators everywhere to take a closer look.
Can you allay our worries about collusion between private equity funds in fixing a deal?
We are concerned about conflicts of interest between the private equity fund, the investment bank and the corporate prey in question. It all looks like rich man's incest.
Private equity is the source of fees to investment banks; investment banks are the source of capital to private equity, the same investment bank is advising the company in question. The possibilities of a conflict of interest are high. Who cares about the original shareholders?
Can you put your hands on your heart and say there is no danger of market abuse between managers in the MBO and their shareholders?
The managers have a fiduciary duty to shareholders first of all. Yet they are approached by private equity and become the sponsors of the deal.
This looks like organized looting, not enlightened business practices.
Some commentators have suggested that MBOs in principle are a fundamental conflict of interest and probably should be banned or at least made more transparent.
Should the managers involved not be obliged to make their strategies publicly available?
Don't you think that regulators should ban MBOs?
How concerned are you that the world is waking up to the world of private equity?
How concerned are you about the Department of Justice enquiry, SEC concerns, and that class action lawyers smell blood in the water?

In conclusion, a Goldman Sachs' spokesperson observed that many of the deals were "borderline stupid".
A senior banker observed that "it will all end in tears".
In time, you will be faced by what one central banker referred to as "less forgiving circumstances".
This reminds me of Mr. Greenspan's observation in 1996 of "irrational exuberance".
Three years later the dot-com bust arrived.
Are we three years or less from disaster?
With market abuse, conflicts of interest, quick flips, high leverage and extraordinary riches being earned – Houston, we have a problem!
And to end at the beginning, it is my members who pay contributions to pension funds who fuel the private equity fire.
Do we have the potential for systemic risk? And if the house does go up in flames, then it will be the workers who work for their portfolio companies and the pension funds who

have provided the capital who end up paying the price.

...

November 17, 2006

International Unions Call for Stricter Regulation of Private Equity Buyout Funds

Three international trade union organizations - the IUF, IMF, and UNI, representing 50 million workers - held a successful conference in Nyon, Switzerland on November 16 to highlight mounting concern over the destructive impact of private equity buyouts in Europe. Once confined largely to North America, private-equity owned firms today employ over 5 million European workers. European private equity raised over 57 billion Euros last year for new acquisitions - a hefty percentage of the global buyout cash.

Union officers, academics, researchers and parliamentarians reviewed the experience to date with buyout-owned companies, and were unanimous in concluding that private equity has to be reigned in. Buyouts based on leveraged debt, far from boosting the growth and innovation touted by the private equity lobby, were encouraging unnecessary closures and staff reductions and privatizing public assets. The process fostered the accumulation of record levels of debt which threaten European and global financial stability. Trade unions were increasingly confronted with aggressive anti-union behavior in the service of reducing wage and benefits. The allegedly leaner, more competitive companies undergoing the private-equity treatment were not, in fact, contributing significantly to research and innovation, but served as vehicles for enriching a small group of investors while actually draining away resources from long-term investment in manufacturing and services.

The explosive growth of debt-financed buyouts has even begun to generate worries within the financial community itself, with a growing number of specialists signaling the need for closer supervision of private equity. Conference participants called attention to the danger of current efforts by the European Commission to broaden the legal and regulatory basis for "alternative investments" like buyouts and hedge funds to expand at a time when stricter regulation of private equity-financed buyouts is urgently need.

"Private equity buyouts", according to IUF General Secretary Ron Oswald, "are a serious threat to workers, their trade unions and their communities. When company cash flows become merely a source of plunder for investors seeking inflated, short-term windfall gains we are feeding financial markets rather than creating the kinds of enterprises which can provide decent jobs and future perspectives for a Europe which has been living far to long with unacceptable levels of unemployment. Financial deregulation opened the door for the buyout funds, and re-regulation - in Europe but also internationally - can shut it to encourage the kinds of long-term investment workers need. Our members are shocked at the ease with which European Commissioner McCreevey can invite the private equity funds to create their own regulatory framework, and we intend to make this a major political issue in Europe."

"Safeguarding the social pension systems in Europe and elsewhere is a critical concern for workers and trade unions", IMF General Secretary Marcello Malentacchi stressed. " We will continue to resist attempts to de-regulate pension fund management and privatization as sought by private equity investors trying to gain access to expanded pools of capital. Ensuring that social pension systems in countries around the world are effectively protected and strengthened, to ensure fair, equitable and safe retirement income and social insurance for all workers must not be sacrificed for short-term profit grabs by those peddling market-fundamentalist ideas."

"We are pushing private equity further up the public policy agenda from G8 to the European Union and are ringing alarm bells about this financial bubble and when it is going to burst," stressed Philip Jennings, Secretary General UNI. "We have been shocked at the rise in sharp practices and a growing debt mountain which is placing great strain on companies (since 1998 leveraged debt has grown from 30 billion to 300 billion in Europe today) and their workforces."

"No company is now beyond the reach of private equity. We are experiencing a fundamental shift in the capitalist world. We invite the private equity funds to a dialogue with the trade union movement. Our aim should be decent work for all."

http://www.uniglobalunion.org
http://www.iuf.org/
http://www.imfmetal.org/

Labour Education, the quarterly review of the ILO Bureau for Workers' Activities
1/2006 (No. 142)

FINANCIALIZATION: NEW ROUTES TO PROFIT, NEW CHALLENGES FOR TRADE UNIONS

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DISPOSABLE JOBS, VANISHING EMPLOYERS

> *After investment opportunities have been carefully researched and selected, there are three stages in Eurazeo's "production cycle":*
> - *the structuring of the investment and acquisition;*
> - *the follow-through on the investment and the creation of value in the acquired entity;*
> - *the disposal of the investment*
>
> 'Goals/Strategy' of Eurazeo, France's largest private-equity fund[1]

One of the most significant features of the last quarter-century has been the progressive de-linking of the established relationship between wages and productivity. Productivity continues to grow but wages no longer keep pace with profits and productivity. In the advanced capitalist countries the wages-productivity-profit nexus was the foundation of collective bargaining in the long wave of growth after the Second World War. The erosion and breakdown of that link, the re-emergence of significant poverty in advanced capitalist countries, and the persistence of 'jobless growth' have generated significant discussion, often in the framework of the debate on globalization. Yet to understand the fundamental power-shifts that are subjecting workers to continuous restructuring and constant employment instability we must address the question of *financialization*.

Broadly, financialization refers to both the enhanced importance of financial versus real capital in determining the rhythm and returns expected from investments, and the increased subordination of that investment to the demands of global financial markets. Under these financial imperatives firms in the manufacturing and service sector have essentially become "a bundle of assets to be deployed or redeployed depending on the short-run rates of returns that can be earned."[2] Investors in the manufacturing and non-financial services sectors now demand rates of return equal to those obtainable in global financial and stock markets, rates unthinkable even a decade ago. The head of Deutsche Bank has stated that return rates of 20 per cent on investment should be the eventual target for investors.

These new financial imperatives reinforce - and are reinforced by – an institutional and ideological transformation in corporate management. Over the past two decades there has been "a fundamental change in the incentives that guide the decisions of top managers, from one that linked long-term managerial pay to the long-term success of the firm, to one that links their pay to short-term stock price movements."[3] This included phenomenally high executive salaries tied to "the prioritizing of 'shareholder value' together with the rise of institutional investors, the alignment of the interests of managers with those of shareholders through the use of stock options."[4] The combined effect of these changes was to drastically shorten the planning horizons of corporations and the introduction of management strategies to enhance 'shareholder value' while undermining real economic performance. Such strategies include restructuring and cost-cutting to reduce jobs and eliminate productive capacity for the purpose of generating cash for share buy-backs to further boost share prices. This is exemplified by the restructuring and mass lay-offs in the US that coincided with non-financial companies purchasing US$870 billion of their own stock from 1995 to 2001.

Of course, companies have always sought to maximize profit. What is new is the drive for profit through the elimination of productive capacity and employment. Transnational food processors, for example, now invest a significantly lower proportion of their profits in expanding productive capacity. Financial markets today directly reward companies for reducing payroll through closures, restructuring and outsourcing. This reflects the way in which financialization has driven the management of non-financial companies to "act more like financial market players."[5]

As manufacturing companies become more like financial players, *real* financial players such as private-equity funds, hedge funds and real estate investment trusts (REITs) have become significant short-term owners of manufacturing and services companies - acquiring, restructuring and disposing of these companies as liquid assets regardless of actual productivity and profitability. Over the past decade private-equity funds have mobilized trillions of dollars for the acquisition of companies in virtually every industrial and service sector, leading *The Economist* to declare: "Today, the private-equity industry has moved from the fringe to the centre of the capitalist action."[6]

Workers in virtually all sectors face the threat of rapidly changing ownership and the imposition of restructuring plans and short-term targets that are based on a financial market logic that places no value in real production, productivity or jobs. In just the first eight weeks of 2006, hedge funds and private-equity funds made over 4,000 deals involving the acquisition and disposal of US$473 billion in assets. Among the ‘assets’ exchanged were manufacturing and service operations employing hundreds of thousands of workers. This includes, for example, 3,000 workers employed in the European Beverages Division of Cadbury Schweppes, the world’s largest confectionery company. In what is now a familiar pattern in the food and beverage industry, Cadbury Schweppes sold its European Beverages Division to two private-equity funds, Blackstone Group International and Lion Capital LLP in February 2006 US$2.2 billion. As a result, the workplaces of 3,000 workers were instantly transformed into another financial asset in Blackstone’s US$45 billion portfolio (which exercised control over the workplaces of 300,000 workers as of November 2004). This – together with the examples of layoffs and closures we discuss below – illustrates the visceral employment impact of financialization.

In all of those sectors where the IUF has members – food, beverages, hotel and catering, agriculture and tobacco – we have seen the financialization of companies and the intrusion of new kinds of investment capital, particularly private-equity funds and real estate investment trusts (REITs). In the following discussion of financialization and its impact on workers and their unions in the IUF sectors, we deal specifically with examples from the food, beverage and catering sectors.

FINANCIALIZING FOOD

Faced with declining sales and falling profits, workers and their unions would traditionally brace themselves for a battle against wage cuts and layoffs. In today's financialized environment, job destruction accompanies rising sales and record profits. For example, on 22 February 2006, Heineken announced that second-half profits had increased 56 per cent over the previous year while announcing that 1,000 jobs would be cut in the next 12 months. Two days later the transnational brewery firm, Inbev, announced a 15.3 per cent increase in earnings to €3.3 billion, and plans to cut 360 jobs. The motivation is clear: increased profits are quickly translated into larger payouts to shareholders (including senior managers who themselves hold stock options) and plans for further restructuring involving layoffs and closures feed a financial market that thrives on shifting wealth away from productive investment .

This is precisely the logic that underpins the "Nestlé Model” expounded by Nestlé Chairman and CEO, Peter Brabeck-Letmathe. On 23 February 2006 Nestlé announced a 21 per cent increase in net profits and a 12.5 per cent dividend payout, together with the allocation of CHF 1 billion for a new round of share buy-backs in addition to the CHF 3 billion share buy-back launched only three months earlier. At the same time Nestlé workers throughout the world face diminished job security and jobs destruction through outsourcing, casualization, production transfers and plant closures.[7] Thus the Nestlé model conforms precisely to the observation that: "In the name of creating 'shareholder value', the past two decades have witnessed a marked shift in the strategic orientation of top corporate managers in the allocation of corporate resources and returns away from 'retain and reinvest' and towards 'downsize and distribute'."[8]

Unlike Nestlé, the major transnational food company Danone recognizes and negotiates with unions at every level, including at the international level where the IUF has negotiated a number of agreements with the company. Nonetheless, management decisions are driven by the same logic of this new financialized environment. 'Liquidity' generated through extensive restructuring and closures involving significant job losses were channeled into €558 million in share buy-backs in 2005, further boosting share prices. The announcement of record profits/dividends for the past year coincided with allocation of another €600 to €800 million for share buy-backs in 2006.

Another major transnational food corporation, Kraft Foods, announced simultaneously on 30 January 2006 a 23 per cent increase in fourth quarter earnings ("beating Wall Street expectations") and the elimination of 8,000 jobs (8 per cent of its global workforce) over the next two years. While it is unclear which production sites will be closed, what *is* clear is that plants will be closed regardless of their viability, profitability or performance. The message to Kraft workers is that as core business is continuously redefined, commitment even to established product lines will be subordinated to the imperatives of financial markets. Only three days before Kraft's announcement that its "portfolio" was being streamlined, 10 plants in Canada were sold to two US private equity firms, Sun Capital Partners and EG Capital Group which created a new company, CanGro Foods, to run these operations as new "financial products" in their asset portfolio.

This financialization of major transnational food companies like Nestlé, Danone and Kraft involves continuously shifting definitions of core business that justify further reductions in productive investment and employment, including spinning off important parts of their operations (both manufacturing and services) to be rotated through an endless round of investment portfolios.

This destructive process is illustrated by the closure of the Leaf confectionary plant in Turku, Finland in May 2005. When the Finnish company, Huhtamaki, transformed itself into a specialized global packing company in 1999, it sold Leaf to the Dutch confectionery and bakery company CSM, which then sold Leaf to two private equity funds, Nordic Capital and CVC Capital Partners, in March 2005. Shortly after this acquisition it was announced that the Leaf plant in Turku would be closed and 460 workers laid-off – a move that shocked both the union and public opinion. The country is accustomed to industrial transformation, having seen entire sectors (e.g. textiles) rise and fall. What was new and shocking was the closure of a plant with high levels of productivity and profitability. "Nobody could imagine", said the chief shop steward at the plant, "that such a large and profitable unit would be shut down." The closure announcement was followed by a threat to cut wages by 50 per cent, prompting union members to stop work. The management was forced to back down on the wage cuts, but the union's challenge to the closure, arguing that the plant was both profitable and viable, was ultimately irrelevant in a decision determined by the financial imperatives driving the new owners of Leaf.

Since 1990, Nordic Capital, a relatively small investment fund of €1.5 billion has acquired a portfolio of 21 companies, ranging from biotech, pay TV and pharmaceuticals to furniture, and three food companies, including Leaf. In the same period, it has "divested" 25 companies. Nordic Capital's investment criteria define the "ambition" of the firm "to be an active owner for three to seven years, and then to realize capital gains for its investors." This three to seven year cycle of acquisition and disposal constitutes the private-equity industry's *long-term* investment horizon – an ambition that is then aggressively imposed on the manufacturing and food processing industry. The much larger private-equity fund involved in the acquisition of Leaf and the liquidation of its profitable plant in Turku, CVC Capital Partners ("specializing in large scale leveraged buyouts") has mobilized US$18 billion since 1981 for acquiring and disposing of 220 companies. Its current portfolio of 38 companies includes seven food companies and one catering company.

'IMPATIENT' CAPITAL: GENERALIZING INSECURITY

> "…[T]he lion's share of NFC [non-financial corporation] finance is now provided on the shortest of terms. NFCs must disgorge over half of the cash flow they need to sustain investment and innovation over the long term, then compete with all other agents, foreign and domestic, to get it back. *This is impatient capital in its most extreme form*. It forces NFCs to either cut investment and innovation or face rising indebtedness. And it sustains cost-cutting pressure and 'low-road' labor relations, which retard wage and employment growth and thus constrain the growth of aggregate demand."[9]

As 'impatient' capital penetrates sectors such as food and beverages, hotels, and catering, it accelerates layoffs, casualization and outsourcing. Moreover, it adds heightened volatility to a destructive mix which is profoundly destabilizing for workers and their unions. We are no longer negotiating with hoteliers or food manufacturers with a long-term stake in their companies as it has traditionally been understood, but with shifting coalitions of investors whose only reference is a global financial market with an entirely new set of rules. One of the many consequences of this is that unions seeking to bargain changes in conditions, negotiate the impact of restructuring, or challenge closures run up against new financial power-holders who are not interested in arguments about improvements in production or services, increased productive capacity, new product lines, long-term viability of markets, consumer needs etc. Every investment is viewed as a portfolio of financial assets, not a place of employment.

This phenomenon is apparent in the hotel industry where major hotel properties have been rapidly acquired by real estate investment trusts (REITs). In the US, where REITs first emerged, unions have found themselves in conflict with multi-billion dollar hotel REITs that have no real interest in actually operating hotels. In Japan the REIT market grew to US$14 billion in just four years, and it is predicted that in the Asian region as a whole new REIT markets will grow to US$140 billion in the next 10 years.

Like private equity funds, REITs are geared towards maximizing financial returns (mainly from inflated rents) and are in fact *legally obliged* to deliver rates of return to investors which make them organically incapable of operating and sustaining hotels as viable places of employment. The rapid growth of REITs globally (also called PIFs in the UK and SIICs in France) aggravates the employment instability which already characterizes the sector and therefore add to the challenges facing hotel unions.

The far-reaching impact of financialization on unions is typified by the struggles waged at the transnational airline catering company Gate Gourmet, where the company's acquisition by the private-equity firm Texas Pacific Group set management on a direct collision course with catering workers and their unions.

Gate Gourmet, the catering division of SwissAir, was bought by Texas Pacific Group in the wake of the airline company's bankruptcy in 2002 - the same year Texas Pacific Group, together with Bain Capital and Goldman Sachs Capital Partners, acquired the global fast food chain Burger King. Gate Gourmet's then CEO welcomed the sale with these words: "Through a combination of strategic acquisitions and organic growth, Gate Gourmet should experience continued success."

At the time of its acquisition by Texas Pacific Group, Gate Gourmet employed over 25,000 workers in 29 countries with 140 flight kitchens. For 2005, the figures are 22,000 workers and 109 flight kitchens. The path to "organic growth" at Gate Gourmet began with a meticulously planned assault on trade unions beginning with the well-known struggle at Heathrow Airport in the UK, which was kicked off by the company stealthily hiring hundreds of contract workers in a restructuring program centered on mass dismissals and a dramatic degradation of employment conditions. The anti-jobs, anti-union offensive then moved to Germany's Düsseldorf airport, where (at the time of writing in late February 2006), members of the IUF-affiliated Food and Allied Workers' Union NGG have been on strike since 7 October 2005 over the company's refusal to negotiate wages and compensatory measures for increasingly arduous working conditions.

In a clear challenge to Germany's established collective bargaining framework, the company has been demanding enterprise-level concessions on working hours, holiday leave and shift pay despite the fact that these are negotiated at industrial sector level. A compromise negotiated between the union and local company management in early December 2005 was unilaterally scrapped by Gate Gourmet corporate headquarters, leaving the workers no alternative to continuing with their strike. There are now indications that the anti-union offensive is targeting other Gate Gourmet sites in Europe.

A crucial part of the challenge that food workers' unions face is that the private-equity funds and REITs that own and control the workplaces that employ their members do not see themselves as employers. In many systems of jurisprudence they are not defined as employers and do not incur the legal obligations binding on employers. Confronted by unions over layoffs or closures, they can plausibly deny responsibility. Gate Gourmet stridently denies that the management decisions which led to the Heathrow and Düsseldorf confrontations have anything to do with Texas Pacific Group - while acknowledging its "fiduciary obligation" to the investor company. Texas Pacific Group, for its part, emphatically rejects all responsibility for industrial relations within Gate Gourmet or any other company in its portfolio (consisting of companies with aggregate employment of a quarter-million workers). As the NGG learned at Düsseldorf airport, they are attempting to negotiate with an employer disguised as a financial entity free of the constraints, laws and obligations which formerly bound employers to operate within the negotiated systems of industrial relations established over many years of struggle.

The employers' vanishing act becomes complete when these new financial entities (private-equity funds, investment funds, venture capital funds, hedge funds, REITs, etc.) are missing from the data and publications produced by UN agencies on growth, investment and employment.

Even those programs specializing in areas such as world investment, transnational corporations and employment have not taken full account of the role of private-equity funds, either quantitatively or qualitatively. *Yet up to one-fifth of non-public sector workers in the UK, for example, are now employed in companies controlled by private-equity funds.*[10] These powerful financial interests simply do not figure in UNCTAD's *Statistical Handbook* ,*Trade and Development Report* or its *World Investment Report* series.[11] UNCTAD's *Trade and Development Report 2005*, which addresses the issue of "new forms of global interdependence", fails to recognize the global impact of financialization. Its analysis is based on the assumption that: "Overly restrictive monetary policy may lead investors to prefer investing in financial assets over extending productive capacity."[12] This fails to take into account the reality – illustrated in the above examples and directly experienced by our union members – that the preferences of investors and decisions to shift away from productive capacity is driven by the imperatives of financial markets and the power exercised by new forms of financial capital.

If these private-equity funds were recognized as TNCs (given their extensive control over manufacturing and service companies globally) and included in UNCTAD's top 100 non-financial TNCs, they would easily displace the top 10 corporations.[13] General Electric, ranked first in UNCTAD's list, controls less foreign assets and employs fewer workers overseas than either Blackstone, Carlyle Group or Texas Pacific Group. Even UNCTAD's new list of the top 50 financial TNCs (included for the first time in the *World Investment Report 2004*) only examines financial TNCs in terms of a narrowly defined financial service sector and limits employment data to that sector.[14] This neglect of the role of investment trusts as employers is also evident in the ILO's *World Employment Report* series. The *World Employment Report 2004-05* explores the impact on productivity of labour and capital mobility, and the relationship between employment stability and productivity, without taking into account the financial imperatives that drive this flexibility and the growing impossibility of employment stability in a financialized world.[15] Elsewhere in ILO publications and programs, explicit reference to private-equity trusts and venture capital is made only in connection to financing employment *creation*.[16]

The 'vanishing employer' as a politico-legal and institutional phenomenon arising from financialization in turn poses serious questions about the foundations on which social policy is developed in organizations such as the ILO.

BACK TO BASICS: REASSERTING THE ROLE OF THE ILO

Where does that leave workers whose employers may be vanishing but who still (for the moment) report to work at Gate Gourmet, Kraft or Leaf? Should they seek a "social dialogue" with CVC Capital Partners? Pursue a global framework agreement with Texas Pacific Group? Organize a forum in which hotel unions exchange "best practices" with the REITs? The absurdity of these propositions points to the very real and very complex challenges unions are confronted with when challenging these new forms of power.

Unions traditionally use their organized strength to negotiate power through collective bargaining - a process involving direct negotiations with an employer. As employers become less tangible and the employment relationship is increasingly obscured, their power to generate social destruction and generalize insecurity increases. In this situation unions must organize and mobilize in new ways to make the employer *visible* and enforce the bargaining relationship so that power is once again negotiated.

The IUF recognizes the urgent need to develop organizing and bargaining strategies to defend our members in this fundamentally changed environment. This is among the essential tasks of the trade union movement. We also clearly recognize the need to reshape the financialized environment in which this organizing and bargaining now takes place.

Radical changes, however, do not necessarily render established tools obsolete. We would suggest, for example, that the standards-setting role of the ILO acquires more, not less relevance in a financialized world. Efforts to dilute the ILO's role in developing and actively promoting universal standards, transposed into national law, must be firmly resisted. There is a proactive role for the ILO today to ensure that mechanisms are created or revitalized at national level to impose employer responsibility and liability. Developing new and enforceable definitions of the "employment relationship" to reflect the fundamental changes brought about by financialization is an urgent priority.

A wider political task consists in restoring the wages-productivity-profit link which financialization has broken. Advancing this agenda means rejecting assertions about powerless national governments, or the declining relevance of national regulation. Financialization is not a spontaneous, anonymous process arising from technological change or global information flows. It is a political project involving the active intervention of national governments. The last quarter-century of 'deregulation' involved the introduction of a vast array of new legal mechanisms and regulations *by national governments* to protect the interests of investors and shareholders. This must be dismantled; and new legal mechanisms and regulations must be introduced nationally to subordinate investment capital to democratic requirements established in international human rights standards. This wider project of democratic political renewal is also one of the fundamental tasks of the IUF and the international labour movement as a whole.

NOTES

[1] See the website of Eurazeo: http://www.eurazeo.com/uk/01_qui/objectif-strategie.php

[2] Neil Fligstein and Linda Markowitz, "Financial Reorganization of American Corporations in the 1980s," in W. J. Wilson (ed), *Sociology and the Public Agenda*. Newbury Park: Sage, 1990, p.187.

[3] James Crotty, "The Neoliberal Paradox: The Impact of Destructive Product Market Competition and 'Modern' Financial Markets on Nonfinancial Corporation Performance in the Neoliberal Era," in Gerald Epstein (ed) *Financialization and the World Economy*. Northampton, MA: Edward Elgar, 2005.

[4] Ozgur Orhanggazi, "Financialization and capital accumulation in the non-financial corporate sector: A theoretical and empirical investigation", (forthcoming), p.7.

[5] Engelbert Stockhammer, "Financialization and the Slowdown of Accumulation," *Cambridge Journal of Economics*, 28, 2004, pp.719-741.

[6] "The new kings of capitalism", *The Economist*, 25 November 2004.

[7] Documented on the IUF's *Nestlé Watch* website.

[8] William Lazonick and Mary O'Sullivan, "Maximizing Shareholder Value: A New Ideology for Corporate Governance," *Economy and Society,* Vol. 29 No. 1, 2000, pp.13-35.

[9] Original emphasis. James Crotty, *The Neoliberal Paradox: The Impact of Destructive Product Market Competition and Impatient Finance on Nonfinancial Corporations in the Neoliberal Era*, Political Economy Research Institute Research Brief, July 2003, p.6.

[10] "Private equity under government scrutiny", *London Stock Exchange*, 20 February 2006; British Venture Capital Association Chairman's Speech, APG for Private Equity and Venture Capital, 1 November 2004.

[11] While the *World Investment Report 2004* includes data on transactions by two US-based REITs on cross-border merger & acquisition deals with values of over US$1 billion, but provides no critical analysis of the significance of REITs or private-equity trusts for FDI flows.

[12] UNCTAD, *Trade and Development Report, 2005: New Features of Global Interdependence*. Geneva: United Nations, 2005, p.29.

[13] UNCTAD, Annex table A.I.9. The world's top 100 non-financial TNCs, ranked by foreign assets, 2003. *World Investment Report 2005*. Geneva: United Nations, 2005.

[14] UNCTAD, Annex table A.I.12. The top 50 financial TNCs ranked by total assets, 2003. *World Investment Report 2005*. Geneva: United Nations, 2005.

[15] *World Employment Report 2004-05: Employment, Productivity and Poverty Reduction*. Geneva: ILO, 2005.

[16] For example, one of the few detailed studies on equity is a report by Ebony Consulting International (Pty) Ltd, *Private Equity and Capitalisation of SMMEs in South Africa: Quo Vadis?* Social Finance Programme & InFocus Programme on Boosting Employment through Small Enterprise Development Working paper No. 34, Employment Sector, International Labour Organisation. Geneva