

CRITICAL AND COMPARATIVE PERSPECTIVES ON EMPLOYEE PARTICIPATION AND SHARE OWNERSHIP

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Abstract

Research on corporate governance has yet to produce a thorough comparative account of how employees are represented across different economic systems. This article seeks to fill that gap by contrasting two principal approaches: employee participation in decision-making and ownership of company shares. The analysis draws on case studies from Germany, the United Kingdom, the United States, and China, and places them alongside the experience of post-socialist countries such as Croatia, Slovenia, and Serbia. The findings highlight how transitional states face particular legal and institutional obstacles that limit meaningful employee influence, even where laws on paper appear progressive. In Southeast Europe especially, legislative reforms have often failed to take root in practice, exposing a persistent gap between policy ambition and implementation. The study concludes by setting out a framework for reform aimed at designing corporate governance arrangements that are both more inclusive and responsive to the realities of transitional economies.

Keywords: corporate governance, employee participation, worker representation, employee ownership, comparative law, stakeholder theory, Southeast Europe, transition economies.

KRITIČKE I KOMPARATIVNE PERSPEKTIVE O UČEŠĆU ZAPOSLENIH I VLASNIŠTVU NAD AKCIJAMA

Apstrakt

Istraživanja o korporativnom upravljanju još uvek nisu dala temeljno komparativno objašnjenje o tome kako su zaposleni zastupljeni u različitim ekonomskim sistemima. Ovaj rad nastoji da popuni tu prazninu suprotstavljajući dva glavna pristupa: učešće zaposlenih u donošenju odluka i vlasništvo nad akcijama kompanije. Analiza se oslanja na studije slučaja iz Nemačke, Ujedinjenog Kraljevstva, Sjedinjenih Država i Kine i stavlja ih pored iskustava postsocijalističkih zemalja poput Hrvatske, Slovenije i Srbije. Nalazi naglašavaju kako se države u tranziciji suočavaju sa određenim pravnim i institucionalnim preprekama koje ograničavaju značajan uticaj zaposlenih, čak i tamo gde zakoni na papiru izgledaju progresivni. Posebno u jugoistočnoj Evropi, zakonodavne reforme često nisu uspele da zažive u praksi, otkrivajući uporni jaz između ambicije politike i sprovođenja. Studija se završava postavljanjem okvira za reformu čiji je cilj dizajniranje aranžmana korporativnog upravljanja koji su inkluzivniji i koji odgovaraju realnostima tranzicionih ekonomija.

Ključne reči: korporativno upravljanje, učešće zaposlenih, zastupljenost radnika, vlasništvo zaposlenih, komparativno pravo, teorija stejkholdera, jugoistočna Evropa, tranzicione ekonomije



INTRODUCTION

In contemporary corporations, the question of who should influence key decisions remains unsettled: is it solely the shareholders, the employees who sustain the enterprise, a balance of the two, or even emerging technologies such as artificial intelligence? The role of employees in corporate governance has been the subject of extensive discussion across law, economics, and political science (Blair & Stout, 1999). At the heart of this debate lies the issue of legitimacy: which stakeholders should be empowered to shape the long-term direction of the firm, and on what basis? The providers of capital, traditionally represented by shareholders, or the providers of labor, whose collective contributions sustain the productive capacity of the enterprise. Increasingly, Artificial Intelligence (AI) is becoming a factor (Joshi, A., 2025), but in this study the focus will remain on corporate governance frameworks across the world that reflect differing answers to this question, shaped by historical trajectories, institutional design, and prevailing socio-economic ideologies.

The comparative study of employee participation is particularly significant because it highlights the variety of institutional arrangements that can emerge to balance the competing claims of capital and labor. From strong codetermination regimes, as seen in Germany, to shareholder-centric systems exemplified by the United States and the United Kingdom, the landscape of corporate governance is marked by profound divergences. Yet, these models are not static: they are continuously reinterpreted in response to pressures from globalization, technological change, labor market restructuring, and the rise of new governance paradigms emphasizing sustainability and stakeholder engagement (Anheier, H. K., & Baums, T. (Eds.), 2020). Historically, employee participation emerged out of struggles for industrial democracy and the quest for a more equitable distribution of power within the firm. In Central and Eastern Europe, post-socialist states such as Serbia, Croatia, and Slovenia have navigated complex transitions, moving from systems of social ownership and worker self-management to shareholder-based governance structures, while retaining certain elements of employee influence. In contrast, in China, state ownership and party influence have produced a distinctive model where formal mechanisms of employee voice coexist with political oversight, reflecting the primacy of state objectives over private interests (Monks, R. A., & Minow, N., 2011).

Western jurisdictions provide additional contrasts (Amatori, F., & Colli, A., 2008). Germany stands out as the archetype of codetermination, where employee representatives enjoy entrenched rights at both board and workplace levels, embodying a philosophy of cooperation between capital and labor. By contrast, the Anglo-American model, prevalent in the United States and the United Kingdom, prioritizes shareholder primacy and market-based mechanisms, leaving employee participation largely outside the formal structures of corporate governance, though pressures from ESG norms and political debates have opened new avenues for discussion. This comparative analysis is not merely descriptive but aims to shed light on the normative underpinnings of different governance systems. Each model embodies implicit assumptions about the role of the corporation in society, the nature of industrial relations, and the balance between efficiency, accountability, and

fairness. The juxtaposition of diverse legal regimes, from post-socialist Europe to liberal market economies, from coordinated market economies to state-capitalist systems, enables a more nuanced understanding of the possibilities and limits of embedding employee participation in corporate governance (Roe, M. J., 2005).

Ultimately, this inquiry speaks to broader debates about the democratization of economic life and the search for governance models that can reconcile competitiveness with social justice. At a time when corporations are facing heightened scrutiny for their social and environmental impacts, the question of employee participation acquires renewed relevance. By examining how different jurisdictions regulate and practice worker involvement in governance, this chapter seeks to contribute to both the theoretical and practical discourse on how corporate law can evolve to meet the challenges of the twenty-first century. Thus, it compares the institutional frameworks and practical realities of employee participation in six key countries, highlighting both convergences and divergences in their approaches and drawing conclusions.

CORPORATE GOVERNANCE AND EMPLOYEE PARTICIPATION IN SERBIA: INSTITUTIONAL FRAMEWORK AND PRACTICE

Joint-stock companies constitute a form of capital-based business entity in which the founding capital is divided into shares. This structure allows for a flexible ownership model and facilitates potential access to capital markets. Nevertheless, the prevalence of joint-stock companies in Serbia remains relatively low. According to an analysis by Milošević Law (2022), only around 1% of active business entities in Serbia operate as joint-stock companies, a fact attributable to the complex establishment procedures, high administrative costs, and extensive reporting obligations associated with this legal form. Data from the Central Securities Depository and Clearing House (CRHoV, 2025) indicate that 1,217 joint-stock companies are registered in Serbia, with a total of 64,238 issued shares. The ownership structure of these entities falls broadly into three categories: foreign-owned joint-stock companies, state-owned enterprises, and domestically owned private joint-stock companies. Foreign companies such as NIS (Gazprom), Hemofarm (Stada), and Messer Tehnogas typically adopt governance models aligned with their parent corporations, with an emphasis on transparency and efficiency (CRHoV, 2025; NIS Investitori, 2025). State-owned joint-stock companies, such as Telekom Srbija and Belgrade Nikola Tesla Airport, retain strategic significance and are subject to heightened corporate oversight (CRHoV, 2025; Milošević Law, 2022). The most numerous category comprises domestic private joint-stock companies, many of which face bankruptcy or are reorganized into limited liability companies (DOO). This trend suggests a persistent preference for simpler legal structures (CRHoV, 2025; Milošević Law, 2022).

The governance of public joint-stock companies in Serbia is shaped by the specificities of the legal and institutional framework. Public enterprises, established by state authorities, are subject to a distinct governance regime, with the general rules of corporate governance applied only *mutatis mutandis* (Mrdak, 2020). As Lepetić (2022) notes, this dual framework complicates legal certainty and hinders the

consistent application of modern governance principles, since the Law on Public Enterprises is applied concurrently with the Law on Business Companies. The Law on Business Companies (Official Gazette RS, No. 76/2023, Article 19) requires large and medium-sized companies to adopt a two-tier governance model, while small and micro companies may opt for a one-tier structure. The two-tier model ensures a clear separation between supervisory and executive functions: supervisory boards are vested with the authority to appoint and dismiss executive board members (Articles 228–229), while members of supervisory boards may not be employees of the company (Article 229). In effect, this arrangement excludes employee participation in governance bodies.

The Law on the Governance of Business Companies Owned by the Republic of Serbia reinforces centralization by mandating the two-tier model in public joint-stock companies. This framework enhances the supervisory board's role in the professionalization of corporate structures (Todorović & Brašić Stojanović, 2024). The Law on Public Enterprises (Official Gazette RS, Nos. 15/2016 and 88/2019, Article 17) does envisage the possibility of including employee representatives on supervisory boards, but in practice this remains largely formal and depends on company statutes. The Serbian Labor Law (Articles 13 and 16) grants employees' rights to information and consultation through trade unions, but it stops short of embedding participation in company decision-making bodies. As Vukolić (2019) notes, these rights remain limited and exert little, if any, influence over strategic corporate decisions. In practice, direct employee participation in Serbian joint-stock companies is rare. Where it does appear, it is most often in foreign-owned firms originating from countries with strong traditions of worker involvement, such as Germany or Sweden. For the most part, Serbian trade unions remain confined to collective bargaining and information rights, without a role in shaping corporate strategy.

Recent developments in corporate law scholarship increasingly promote a multi-stakeholder model, in which the company is conceived not only as a vehicle for maximizing shareholder value but as a nexus of diverse stakeholder interests, including those of employees. Under this approach, employees' perspectives would be integrated into the broader "interest of the company" (Vasiljević, 2021, pp. 197–198). In Serbia, however, this vision remains largely theoretical and has yet to be reflected in corporate practice.

Croatia: Institutional Framework and Practice

The regulation of corporate governance in Croatia, particularly regarding joint-stock companies and the position of employees, closely parallels that of Serbia. This similarity is rooted in their shared continental legal tradition and comparable historical and institutional developments. Both systems are dominated by a "closed" model of corporate governance, characterized by concentrated ownership and relatively weak capital markets. While such a structure can foster stable ownership ties and support long-term strategy, it also poses risks for minority shareholder protection and business transparency (Klačmer Čalopa, Đundek Kokotec & Korent, 2015). Within the legislative framework, employees are recognized as relevant stakeholders, and the principles of transparency, accountability, and ethical treatment

of the workforce are integrated into corporate governance policies, in line with modern European standards (Generis, 2024). Special emphasis is placed on protecting minority shareholders and regulating changes in corporate status, which strengthens institutional accountability mechanisms (Odvjetnički ured Bistrović, 2024).

The Companies Act allows for the choice between a one-tier and a two-tier system. In practice, the two-tier model dominates in large companies, particularly those on the Zagreb Stock Exchange. This model separates management and supervisory functions, increasing control over management's operations. Companies like Podravka and Ericsson Nikola Tesla successfully use this model (Podravka, 2023; Ericsson Nikola Tesla, 2022). An empirical study of 109 Croatian companies found that supervisory boards have an average of four to five members. This board size is associated with lower agency costs, which means more efficient decision-making and better coordination among members. However, the study also found that a high concentration of ownership does not necessarily lead to a further reduction of these costs. This suggests that ownership structure alone is not enough to improve corporate governance and confirms the limited practical impact of institutional reforms (Klačmer Čalopa, Đunđek Kokotec & Kokot, 2020).

Compliance with European ESG standards has significantly affected the obligations of directors. By law, they are required to run the company in the interest of shareholders, employees, and the wider community, while respecting labor rights, equal opportunities, and the principles of social responsibility (CMS, 2024). The Corporate Sustainability Reporting Directive (CSRD), which was transposed into Croatian law on July 27, 2024, through amendments to the Accounting Act, Audit Act, and Capital Market Act, introduced an obligation for large public interest entities (with 500+ employees) to publish reports on working conditions, employee dialogue, and human rights protection measures (Wolf Theiss, 2024). The announced Corporate Sustainability Due Diligence Directive (CSDDD) will extend management's responsibility to the entire value chain, including suppliers, especially regarding labor rights and workplace safety. Its transposition is expected to require additional oversight and business audit mechanisms (Kinstellar, 2025).

Croatia has also transposed Directive 2001/86/EC, which regulates employee participation in European joint-stock companies (*Societas Europaea*, SE). This provides the right to information, consultation, and, in certain cases, participation on supervisory boards. However, its application is limited due to the small number of SE companies registered in the country (European Union, 2001). The legal framework does not require private joint-stock companies to include employee representatives on management bodies; this depends on the company's articles of association or a collective agreement. In public enterprises, such as Hrvatska elektroprivreda (HEP), one member of the supervisory board comes from the ranks of employees, while the others are appointed by the government and the shareholders' assembly (HinaOTS, 2018). Terms of office typically last four years with the possibility of re-election (Tušek, Filipović & Pokrovac, 2009). At the national level, the **Labor Act (2014/2023)** provides employees with the right to information and consultation on issues such as ownership changes, reorganization, and technological innovations. In companies with 20+ employees, a works council can be formed, but it has only an advisory role.

Despite an advanced legislative framework and the implementation of European directives that formally enable employee participation, practice in Croatia reveals a significant gap between regulatory solutions and their actual application. Employee participation mechanisms in the private sector remain limited and are rarely used. This is a result of the high concentration of ownership, closed management structures, and the relatively weak influence of the capital market. These structural characteristics further diminish the potential for developing participatory corporate governance, as they don't encourage the inclusion of employees in strategic decision-making processes (Tomić et al., 2019). On the other hand, in public enterprises, participation is institutionalized through formal mechanisms, but its influence on strategic decisions remains largely symbolic. Empirical research shows that although public sector employees express a relatively high degree of satisfaction with working conditions, their actual influence on management and decision-making is minimal (Klopota et al., 2016). In this context, participation is reduced to a procedural obligation, without the substantive involvement of employees in shaping organizational policy. This practice indicates that, despite their formal presence, participatory management models in Croatia have not yet become functional instruments of democratic corporate governance.

The principle of worker participation was strongly present in the Yugoslav model of self-management, but the transition to a market economy in the 1990s reduced its scope considerably. Current Croatian law does not prescribe a system of codetermination comparable to that in Germany or other continental European countries. Instead, employee participation is primarily realized through the institution of the works council (*radničko vijeće*), regulated by the Labour Act (*Zakon o radu*). Works councils serve as bodies of information and consultation but lack the binding powers characteristic of codetermination systems. The Labour Act guarantees workers' rights to information and consultation on issues such as restructuring, redundancies, and workplace safety. However, employee representation on company boards is not mandated by law. The only partial exception is found in state-owned or formerly privatized companies where, depending on privatization contracts and collective agreements, employees may still retain some rights to board representation. European Union membership has significantly influenced Croatian legislation, especially through the transposition of EU directives on information and consultation of employees, as well as on European Works Councils. Nonetheless, the practical impact of these measures has been modest. Academic research indicates that works councils in Croatia often face challenges related to weak institutional capacity, limited influence, and insufficient recognition by employers. Consequently, employee participation in Croatia remains largely consultative rather than decisional, situating the country closer to the Anglo-Saxon model of shareholder primacy than to the continental model of shared governance.

Slovenia: Institutional Framework and Practice of Employee Participation

Slovenia represents a distinct case in the region, often described as a "hybrid" system that blends elements of continental European codetermination with the legacies of Yugoslav self-management. The Companies Act (*Zakon o gospodarskih družbah*) provides the core framework for corporate governance, allowing for both a two-tier

system with a supervisory board and a management board, and a one-tier system with a board of directors. As a member of the European Union and a country with a developed capital market, Slovenia uses a corporate governance model that combines elements of the continental legal system with the influence of European directives. The specificity of the Slovenian model stems from the country's privatization transition, during which the state retained a significant ownership stake in strategic sectors through funds and direct ownership. This structure has allowed political actors to have a certain influence on management decisions, including the appointment of supervisory board members, which in some cases has led to conflicts of interest and slowed the formulation of corporate governance. Although the regulatory framework has been modernized in recent years, transparency and the protection of minority shareholders remain a challenge (Damijan & Damijan, 2019).

The regulation of joint-stock companies in Slovenia is defined by the Companies Act (Zakon o gospodarskih družbah, ZGD-1), which allows for the choice between a one-tier and a two-tier management system. Although the legislative framework provides flexibility, the two-tier system is more commonly used in practice, especially in large companies listed on the Ljubljana Stock Exchange (Ljubljanska borza, 2024). This model is characterized by a clear separation of supervisory and management functions, where the supervisory board plays a key role in appointing and controlling the work of the management board. The shareholders' assembly is mandatory and must be convened at least once a year, regardless of the chosen model (Kavčič, Bracun & Partners, 2023). Companies like Krka d.d. and Petrol d.d. operate under this model with a high degree of professionalization and transparency, as confirmed by reports from the Agency for Public Supervision of Auditing (ANR, 2023).

Employee participation in management structures in Slovenia has a stronger institutional foundation than in Serbia and Croatia. According to the Labor Relations Act (Zakon o delovnih razmerjih, ZDR-1), employees have the right to information and consultation, as well as direct participation on supervisory boards in certain cases. The Act on the Participation of Employees in Management (Zakon o sodelovanju delavcev pri upravljanju, ZSDU) mandates the inclusion of employee representatives on supervisory boards in companies with more than 50 employees, with employees electing their representatives through democratic procedures (ZSDU, Art. 6–10). In public enterprises, such as Slovenske železnice (Slovenian Railways) and Pošta Slovenije (Slovenian Post), employee representatives make up a significant portion of the supervisory boards and participate in strategic decision-making, especially in areas concerning working conditions, reorganization, and investments (Pošta Slovenije, 2023; Slovenske železnice, 2024). Slovenia is one of the few countries in the region that has fully implemented the provisions of Directive 2001/86/EC on employee participation in European joint-stock companies (SE), with companies like Gorenje using this structure to internationalize their business while preserving the participatory management model (European Union, 2001; Gorenje, 2022).

The practice of employee participation in Slovenia is based on a combination of European directives and national collective agreements, which encourages dialogue between management and employees, particularly in sectors with a high degree of regulation and social responsibility (Kavčič, Bracun & Partners, 2023). According to research, 65% of employees feel they have an influence on decisions related to work

processes, while 71% of managers state that employees participate in the organization of work. This indicates a relatively high level of collective employee participation in decision-making (Eurofound, 2022; Eurofound & Cedefop, 2020). An additional institutional basis is provided by the Slovenian Corporate Governance Code for Public Enterprises, adopted in 2004 and revised in 2009 and 2021 (Ljubljana Stock Exchange & Slovenian Directors' Association, 2021). The code requires a mandatory Corporate Governance Policy (CG Policy), which includes a communication strategy, ethical standards, the protection of employee interests, and mechanisms for balancing the interests of various stakeholders. The latest version emphasizes sustainable business practices, diversity in management bodies, transparency in reporting, and the digitalization of supervisory board operations. The high level of transparency, also confirmed by the SEECGAN index analysis, represents a significant institutional prerequisite for strengthening employee trust and their engagement in decision-making (Djokić & Duh, 2015).

Empirical research from the Institute for Economic Research (IER, 2022) shows that companies with active employee representatives report a higher degree of satisfaction and lower labor turnover. However, despite the relatively developed collective participation, challenges remain, especially in the private sector, where the role of employee representatives is sometimes formal and lacks real influence on strategic decisions. According to the national report of the BroadVoice project, direct employee participation, which involves the immediate involvement of workers in decision-making, has not been systematically developed in Slovenia, while most research focuses on collective forms of participation (Franca, 2025).

The Slovenian corporate governance model demonstrates that it is possible to align management efficiency with participatory principles, but this balance requires continuous institutional support, the development of a culture of dialogue, and the strengthening of mechanisms for the direct inclusion of employees. Unlike in Croatia and Serbia, Slovenian law explicitly guarantees employee participation at the board level in certain companies. The Worker Participation in Management Act (*Zakon o sodelovanju delavcev pri upravljanju*) is the key legislative instrument establishing employees' rights to elect representatives to supervisory boards. In large companies, employees are entitled to elect at least one-third of supervisory board members, a rule that positions Slovenia closer to the German codetermination model. The works council (*svet delavcev*) remains the primary institutional channel for employee participation at the workplace level, with rights to information, consultation, and co-decision in areas such as health and safety, working time arrangements, and collective redundancies. Additionally, the dual-channel system ensures that works councils and trade unions coexist, often overlapping in practice.

Empirical research suggests that Slovenian workers' participation is among the strongest in Central and Eastern Europe, with relatively robust legal guarantees and more frequent practical implementation than in neighboring states. The process of EU accession reinforced these mechanisms, as Slovenia adopted relevant directives on information and consultation, European Works Councils, and employee involvement in the European Company (*Societas Europaea*). However, challenges remain: political debates occasionally question the extent of mandatory worker participation, and companies sometimes attempt to minimize its scope. Nevertheless, Slovenia

stands out in the region as the country where codetermination-type mechanisms are most firmly embedded in corporate governance.

Germany: Institutional Framework and Practice of Employee Participation

Germany represents the paradigmatic example of institutionalized employee participation in corporate governance. Its model of *Mitbestimmung* (codetermination) has influenced debates and reforms across Europe and beyond, making it one of the most studied systems in comparative corporate governance scholarship. The German framework combines robust shareholder rights with extensive mechanisms for worker participation at both the company and plant levels, reflecting a deeply embedded tradition of balancing capital and labor interests (Sandrock, O., 2015).

The roots of German codetermination trace back to the early 20th century, but the model was consolidated after World War II as part of broader efforts to democratize the economy and prevent the re-emergence of authoritarian structures. The Codetermination Act (*Mitbestimmungsgesetz*) of 1976 remains the cornerstone of the system. It requires large companies (with more than 2,000 employees) to establish a two-tier board structure in which employees hold parity representation on the supervisory board (*Aufsichtsrat*). Specifically, half of the supervisory board members are elected by employees, although in the case of a tie, the chairperson (elected by shareholder representatives) has a casting vote.

For medium-sized companies (between 500 and 2,000 employees), the One-Third Participation Act (*Drittelbeteiligungsgesetz*) of 2004 applies, mandating that one-third of supervisory board seats be reserved for employee representatives. These legal frameworks institutionalize a powerful form of employee voice in strategic decision-making, particularly in sectors with large, established firms such as manufacturing, energy, and finance. German companies operate under a two-tier governance system consisting of a management board (*Vorstand*) and a supervisory board (*Aufsichtsrat*). While the management board is responsible for day-to-day operations, the supervisory board exercises oversight and appoints senior executives. Employee representatives on supervisory boards are elected partly by the workforce and partly nominated by trade unions, ensuring both workplace-level and organized labor perspectives are incorporated into governance.

Parallel to this structure are works councils (*Betriebsräte*), established under the Works Constitution Act (*Betriebsverfassungsgesetz*). Works councils exist in companies with five or more employees and are elected directly by the workforce. They enjoy extensive information, consultation, and codetermination rights over a wide range of issues, particularly those relating to working conditions, personnel policies, and occupational health and safety. Unlike trade unions, which operate at the sectoral or national level, works councils are strictly workplace institutions, yet they coordinate closely with unions. The German system ensures that employees have both formal representation at the strategic level (through supervisory boards) and effective influence at the operational level (through works councils). This dual structure has been credited with fostering cooperative industrial relations, enhancing firm stability, and promoting long-term perspectives in corporate governance. Studies have shown that codetermination can improve information flow within firms, increase worker morale, and contribute to economic resilience (Gorton & Schmid 2004; Vitols

2008).

However, criticisms persist. Shareholder advocates argue that parity codetermination may dilute shareholder primacy and create inefficiencies in decision-making. Some scholars also point out that supervisory boards, despite formal parity, are often dominated by shareholder interests due to the chair's casting vote and the relative expertise of shareholder representatives (Sandrock, O., 2015). Globalization and intensified capital market pressures have tested the resilience of Germany's codetermination system. In response, some companies have sought to bypass its requirements by turning to alternative corporate forms registered abroad. Yet, despite these challenges, codetermination continues to be a defining feature of both German law and political culture. Current debates around corporate sustainability, ESG standards, and stakeholder capitalism have brought renewed attention to the German model, highlighting its potential as a framework for reconciling the often-competing interests of capital, labor, and society. The European Union has likewise drawn on the German experience when considering how to strengthen employee involvement at the regional level.

Taken together, Germany offers the most developed and comprehensive example of employee participation in corporate governance. Its model shows that workers can exert real influence not only over workplace issues but also over broader corporate strategy, embedding elements of democratic practice within the functioning of the modern corporation.

United Kingdom: Institutional Framework and Corporate Governance

The United Kingdom represents the classic Anglo-American, shareholder-oriented model of corporate governance. Its system is built around a unitary board structure and relies on market mechanisms for accountability, rather than granting employees a formal role in board-level decision-making. The legal foundation rests in the Companies Act 2006, which sets out directors' fiduciary duties. Among these, section 172 is the most significant: it obliges directors to act in a way that promotes the success of the company "for the benefit of its members as a whole." At the same time, it instructs directors to take into account a range of other factors, including the interests of employees, suppliers, and customers, as well as the company's reputation, environmental impact, and long-term sustainability (Companies Act 2006, s.172). This approach incorporates stakeholder concerns, but only within a framework that ultimately prioritizes shareholder interests, reflecting the broader architecture of shareholder primacy (ICAEW, n.d.).

At the level of soft law, publicly listed firms are required to report on their adherence to the UK Corporate Governance Code, following the familiar "comply or explain" principle. The 2024 version of the Code continues the UK's tradition of a principles-based framework, covering areas such as corporate purpose and leadership, board responsibilities, succession and composition, risk management and audit, and executive pay. Notably, Provision 29 now expects boards to declare the effectiveness of their material internal controls, tightening accountability around risk oversight (FRC, 2024a; 2024b). Since the 2018 revisions, the Code has also pressed boards to establish employee engagement mechanisms, appointing a director from the workforce, creating a workforce advisory panel, or designating a non-executive

director (NED) for workforce engagement (FRC, 2018; KPMG, 2018). In practice, companies most often choose a designated NED or advisory panel; worker-directors remain rare, consistent with the UK's unitary-board tradition (KPMG, 2018; see also UK Parliament evidence, 2016). For large private companies, the Wates Corporate Governance Principles (2018) offer a reporting framework to raise governance standards, with an emphasis on purpose, composition, responsibilities, opportunity and risk, remuneration, and stakeholder relationships. Though voluntary, the Wates Principles dovetail with statutory reporting duties and have become a reference point for articulating stakeholder and workforce engagement outside the listed sector (FRC, 2018; Wates, 2018).

Formal codetermination, mandatory board seats for workers, does not exist in UK company law, and the unitary board remains the norm (Kluwer, n.d.). Employee "voice" is therefore channelled primarily through: (i) information-and-consultation procedures; (ii) collective bargaining via independent trade unions; and (iii) voluntary board-level engagement mechanisms encouraged by the Code. The Information and Consultation of Employees Regulations (ICE) require employers to set up arrangements when triggered by employee request; since 6 April 2020 the request threshold was reduced from 10% to 2% of the workforce (with a minimum of 15 employees), lowering barriers to formal consultation (DBT, 2020; GOV.UK, 2020). Union density, however, has continued to decline: official statistics report union membership among employees at around the low-20s percent range in 2023, with a long-run downward trend since the early 1980s (DBT, 2024). Consequently, while statutory frameworks for consultation exist, workplace representation is uneven across sectors and firms.

EU-derived mechanisms remain relevant in certain forms. Pre-Brexit, UK companies could adopt the *Societas Europaea* (SE) form with negotiated employee involvement under Directive 2001/86/EC; a domestic UK *Societas* (UKS) regime now applies, preserving some rules on employee involvement for legacy entities (GOV.UK, 2021). More broadly, the UK's governance debate since 2019 has featured rhetorical moves toward stakeholderism, but without a shift to board-level codetermination. The Code's engagement options and s.172(1) statements (now a mainstream part of annual reports) represent the principal institutional levers for incorporating employee perspectives into strategic deliberation, short of formal representation (ICAEW, n.d.; FRC, 2024a). In comparative perspective, the UK model prioritizes board accountability to shareholders within a robust disclosure and stewardship ecosystem, while offering procedural (rather than structural) channels for employee voice. Relative to Germany or Slovenia, employee participation in the UK is consultative and discretionary, mediated by soft-law guidance and collective labour institutions, not by mandatory board seats which makes it not very present and/or visible.

United States: Institutional Framework and Corporate Governance

The United States presents a markedly different model of corporate governance compared to continental Europe and the post-socialist states of Southeast Europe. Its system is grounded in a long-standing tradition of shareholder primacy, whereby corporate law and governance practices emphasize maximizing shareholder value as the central objective of the corporation. Employee participation in governance, in the

sense of formal representation on boards of directors or supervisory bodies, is virtually absent (Jäger, S., Noy, S., & Schoefer, B., 2022).

In the United States, corporate governance is shaped largely by state law, with Delaware standing out as the dominant jurisdiction thanks to its flexible statutes and extensive body of case law. The standard governance model is a one-tier board of directors that combines oversight and managerial responsibilities. Directors are chosen by shareholders and are bound by fiduciary duties—primarily care and loyalty—owed to the corporation and its shareholders. Unlike Germany or Slovenia, U.S. law does not provide employees with a statutory role in electing or appointing board members, and codetermination has never been part of the American framework (Jäger, Noy & Schoefer, 2022). Employee influence has instead developed through other channels. Historically, labor unions were the most important vehicle for representing workers' interests, particularly in bargaining over pay, benefits, and workplace conditions. But unionization has declined sharply, from roughly one-third of the workforce in the 1950s to under 11 percent today (Bureau of Labor Statistics, U.S. Department of Labor), leaving employees with a diminished collective voice.

A second route for employee involvement has been the spread of employee stock ownership plans (ESOPs). These schemes allow workers to acquire shares, often with favorable tax treatment, and thus link their financial interests more closely to those of traditional shareholders. While millions of employees now participate in ESOPs, their influence on corporate decision-making remains limited. Employees typically hold only a small portion of voting rights, leaving boards firmly in the hands of shareholder representatives. In recent years, broader debates about corporate purpose and stakeholder governance have revived attention to the role of employees. The 2019 Business Roundtable statement, in which leading U.S. executives endorsed a corporate mission extending beyond shareholder value, was seen as a symbolic shift toward stakeholderism. Yet critics contend that this rhetorical commitment has not been matched by substantive reforms in board responsibilities or legal standards.

The COVID-19 pandemic, together with rising inequality and growing job insecurity, has further fueled discussions about expanding worker participation. Proposals to introduce “worker directors” on corporate boards have been advanced by progressive lawmakers, most prominently Bernie Sanders and Elizabeth Warren (2023, 2024), but have so far failed to secure legislative change. As a result, employee influence in the U.S. continues to operate through collective bargaining, employee ownership structures, or occasional voluntary consultation, rather than through institutionalized codetermination. From a comparative standpoint, the U.S. illustrates the core features of the Anglo-American model: boards are accountable primarily to shareholders, and employees are treated as contractual stakeholders rather than as participants in governance. This places the American system in stark contrast to countries like Germany and Slovenia, where worker representation at the board level is guaranteed by law.

China: Institutional Framework and Practice of Employee Participation

The Chinese corporate governance system presents a hybrid model that reflects both global market-oriented reforms and the enduring influence of state and party institutions. Since the 1990s, China has undertaken extensive reforms to align its

corporate law with international standards, particularly following its accession to the World Trade Organization (WTO) in 2001. These reforms introduced modern corporate structures, shareholder rights protections, and disclosure requirements. However, employee participation in governance is deeply shaped by China's socialist legacy and the continuing role of the Chinese Communist Party (CCP) within enterprises.

Chinese company law provides for a two-tier system consisting of a board of directors and a supervisory board. In contrast to the Germanic model, the supervisory board in Chinese companies has weaker powers and is often marginalized in practice. Nonetheless, employees are formally entitled to representation within this structure. According to the Company Law of the People's Republic of China (1993, as amended), companies with more than 300 employees are required to include an employee representative on the supervisory board. Employee representatives are generally elected by the employees themselves, usually through trade unions or workplace congresses. In addition, China retains the institution of the employees' congress (职工代表大会), a legacy of the socialist "work unit" (danwei) system. Employees' congresses are designed to provide a forum for workers to express opinions and participate in the management of enterprises. While formally recognized by law, these bodies have been criticized for being largely consultative in nature and subordinate to managerial and party structures. Their influence on strategic corporate governance decisions remains limited.

The All-China Federation of Trade Unions (ACFTU) plays a dominant role in organizing employees, but unlike pluralistic union models in other countries, the ACFTU is a unitary organization under party leadership. As such, trade unions in China function more as intermediaries between workers and management than as independent actors advocating for worker interests. This institutional setup reduces the capacity of unions to challenge corporate or managerial decisions, particularly in state-owned enterprises (SOEs). A defining characteristic of corporate governance in China is the legally mandated role of Communist Party committees within companies. Since regulatory changes in the late 2010s, enterprises with three or more Party members have been required to establish such committees, whose role has become increasingly formalized in both state-owned and private firms. Party secretaries frequently hold senior management or board positions, and the committees themselves are empowered to shape major strategic and personnel decisions. This dual structure significantly constrains the independent role of employee representatives, since relations between labor and management are largely mediated through Party organs.

In practice, employee participation in China operates through a blend of formal mechanisms—such as supervisory board seats and employee congresses—and political oversight exercised by Party committees and state ownership. These channels ensure that workers have institutionalized avenues for consultation, but they fall short of the codetermination found in Europe or the employee-ownership schemes common in the Anglo-American context. Employees seldom wield decisive influence over corporate strategy, as their role remains embedded within broader state and Party priorities (Chi, 2020). Recent policy discussions have focused less on expanding worker voice than on improving efficiency, enhancing transparency, and reinforcing

Party leadership. Still, the endurance of consultative mechanisms, however limited, underscores the hybrid nature of Chinese corporate governance, situated between market-oriented reforms and socialist institutional legacies.

Comparative Assessment

Looking across Serbia, Croatia, Slovenia, the United States, China, Germany, and the United Kingdom, employee participation in corporate governance shows sharp contrasts as well as some shared features. The divergences stem not only from differences in law and institutional arrangements, but also from each country's historical development, political context, and broader understanding of what the corporation represents within society. Historical legacies are especially decisive. In the post-socialist countries of Serbia, Croatia, and Slovenia, the dismantling of self-management and social ownership during the 1990s represented a clear break with earlier practices and continues to shape the options for reform today. In contrast, Serbia and Croatia adopted more shareholder-centric models, where employee participation plays only a marginal role. By comparison, Germany's system of codetermination illustrates how deeply entrenched historical compromises between labor and capital can sustain robust mechanisms of worker influence over decades.

The comparison highlights a fundamental divide between systems that prioritize shareholder primacy (United States, United Kingdom, and, increasingly, Serbia and Croatia) and those that institutionalize stakeholder governance (Germany and, to a limited extent, Slovenia). The United States and United Kingdom treat employee voice as a matter of contract and labor law rather than corporate governance, leaving workers largely outside formal board structures. Germany, on the other hand, constitutionally embeds labor as a co-decision-maker at the supervisory board level, thereby granting employees a collective voice in strategic decision-making. China presents a hybrid model: while employees are nominally represented through mechanisms such as workers' congresses and trade unions, ultimate control rests with the state and the Communist Party, reflecting an ideology of political rather than economic participation. Behind these institutional models lie different normative visions of the corporation. In liberal market economies such as the U.S. and U.K., the corporation is conceived primarily as a vehicle for shareholder wealth maximization, with labor viewed as a contractual input rather than a constituency with governance rights. Germany embodies the stakeholder model, treating the corporation as a "social institution" whose legitimacy depends on balancing the interests of capital, labor, and other stakeholders. Post-socialist countries, meanwhile, oscillate between these conceptions, often constrained by the pressures of privatization, EU integration, and foreign investment. China's framework situates the corporation within broader state developmental goals, subordinating employee voice to political oversight.

Legal provisions do not always translate into meaningful influence. Even where formal rights exist, as in Slovenia or China, their impact depends on enforcement, institutional culture, and power dynamics within the firm. In practice, Germany remains the only jurisdiction in this comparison where employee representatives consistently exercise significant influence on corporate boards. Elsewhere, participation tends to be symbolic, fragmented, or confined to the realm of labor relations rather than governance. Despite divergent traditions, there are signs of

convergence driven by globalization, ESG standards, and the rise of debates around corporate purpose. In Anglo-American systems, growing attention to sustainability and stakeholder capitalism has revived interest in mechanisms of worker voice, though concrete reforms remain limited. In China, rapid economic modernization has spurred new discussions about employee rights, albeit within the boundaries of party control. In Central and Eastern Europe, integration into the European Union has opened the possibility of strengthening worker participation in line with EU directives, though national resistance remains strong.

For the region of SEE, situated within the post-socialist context and aspiring to EU membership, the comparative evidence underscores the importance of institutional design and political will. The German and Slovenian experiences illustrate that robust systems of participation can coexist with competitiveness and attract investment, provided that they are backed by a clear normative commitment. Conversely, the marginalization of worker voice in Serbia and Croatia shows how transitions that privilege shareholder primacy risk eroding employee influence altogether. Lessons also emerge from the Anglo-American and Chinese approaches: the first illustrates the risks of treating employees solely as contractual parties, while the second shows how participation loses substance when subordinated to political authority. Taken together, the comparison makes clear that employee participation is neither an automatic byproduct of economic growth nor simply an ideological preference. It results from conscious institutional design, shaped by history, politics, and social compromise. No single model can be imported wholesale, but the cross-country evidence suggests that effective participation depends on three key conditions: firm legal foundations, a supportive institutional culture, and a conception of the corporation as more than just a vehicle for shareholder returns. For states such as Serbia and Croatia, which continue to reform their governance systems, these insights are particularly relevant as they seek to reconcile economic competitiveness with democratic accountability in the corporate sphere.

Employee Participation in Corporate Governance

Comparative overview across selected jurisdictions

COUNTRY	BOARD STRUCTURE	EMPLOYEE PARTICIPATION IN BOARD	EMPLOYEE SHARE OWNERSHIP BASIS	REAL MANAGERIAL INFLUENCE	CHARACTERISTIC	
Serbia	One-tier	No mandatory representation. Employees are informed and consulted only, with no formal board presence.	Rare and unsystematic. No structured support exists for employee ownership.	Company Law <i>Zakon o privrednim društvima</i>	Weak	Severed from Yugoslavia's self-management tradition with no meaningful institutional replacement.
Croatia	One-tier	Limited scope for a single employee representative on the supervisory board. Participation is not obligatory.	Very limited. No systemic framework supports employee shareholding.	Company Law; Labor legislation <i>Zakon o trgovačkim društvima</i>	Weak to symbolic	Formal legal right exists on paper but produces minimal practical governance effect.
Slovenia	Two-tier	Yes. Worker representatives hold seats on the supervisory board by law, with real consultative and oversight capacity.	Secondary and limited. Share schemes exist but are not the primary channel of influence.	Worker Participation in Management Act <i>Zakon o sodelovanju delavcev pri upravljanju (ZSDU)</i>	Moderate	The most developed post-socialist model in the Western Balkans and former Yugoslav region.
Germany	Two-tier	Yes. Full parity or quasi-parity codetermination. In large firms, employees hold up to half of all supervisory board seats.	Exists, but share ownership is secondary to board-level structural participation.	Codetermination Act; One-Third Participation Act <i>Mitbestimmungsgesetz; Drittelbeteiligungsgesetz</i>	Strong	Institutionalized democratic balance between capital and labour. The global benchmark for employee voice in governance.
United Kingdom	One-tier	No mandatory participation. Any involvement is voluntary, company-led, and inconsistent across sectors.	Yes, but individualized and non-systemic. No collective governance mechanism accompanies share ownership.	Companies Act 2006 <i>UK Companies Act 2006</i>	Very weak	Pure shareholder primacy model. Employees have no formal or enforceable governance rights.
United States	One-tier	No formal mechanism. Board seats are reserved exclusively for shareholder representatives. No legal pathway for employee voice.	Yes. Employee Stock Ownership Plans (ESOP) are widely used, primarily as a financial benefit rather than a governance tool.	State corporate law; ERISA <i>Employee Retirement Income Security Act</i>	Weak	Employees may own shares but hold no managerial authority. Financial participation substitutes for governance power.
China	Two-tier (formal)	Yes in form. Supervisory boards and employee representative congresses exist by statute, but serve an administrative rather than autonomous function.	Limited in practice. Ownership structures are tightly controlled and politically managed.	Company Law of the PRC <i>中华人民共和国公司法</i>	Weak — politically mediated	Formal structures exist, but participation is directed by the Party rather than driven by genuine worker autonomy.

Source: Comparative corporate governance research. Legal citations reflect primary statutory frameworks as of 2024.

CONCLUSION

This article set out to examine, from a critical and comparative perspective, the extent to which employee participation and share ownership function as mechanisms for embedding labor within corporate governance across diverse institutional settings. The analysis demonstrates that these two approaches, while often discussed within a common normative framework of stakeholder inclusion, operate according to fundamentally different logics. Employee participation in decision making, particularly in its stronger forms such as codetermination, directly redistributes governance power within the firm. By contrast, employee share ownership, as observed most prominently in Anglo American systems, aligns financial interests without necessarily altering control structures. The empirical and comparative evidence confirms that ownership without control does not constitute participation in any meaningful governance sense.

The cross-country comparison reveals a persistent structural divide between shareholder centric and stakeholder-oriented models of the corporation. Germany remains the clearest example of an institutionalized equilibrium between capital and labor, where employee participation is legally entrenched and operationally effective at both board and workplace levels. Slovenia, while not fully replicating this model, demonstrates that even within post socialist contexts, meaningful participation can be sustained when supported by coherent legislation, EU integration dynamics, and a relatively strong culture of social dialogue. In contrast, the United States and the United Kingdom continue to rely on market-based governance and soft law mechanisms, where employee voice is mediated through consultation, disclosure, or ownership schemes, but remains external to formal decision-making structures.

The position of Southeast European transition economies, particularly Serbia and Croatia, is more problematic. The analysis confirms that these systems are characterized by a disjunction between formal legal frameworks and practical implementation. Despite the transposition of European standards and the nominal recognition of employees as stakeholders, participation mechanisms remain weak, fragmented, and largely symbolic. This reflects deeper structural constraints, including concentrated ownership, underdeveloped capital markets, weak enforcement capacities, and limited traditions of autonomous industrial relations. The legacy of socialist self-management, rather than serving as a foundation for modern participatory governance, has often been institutionally marginalized during the transition to market economies.

The Chinese case further complicates conventional typologies by illustrating a model in which formal channels of employee participation coexist with strong political oversight. While employees are institutionally represented through supervisory boards and workers' congresses, their influence is circumscribed by the dominant role of state and party structures. This underscores a broader analytical point that participation cannot be assessed solely on the basis of formal legal provisions but must be situated within the wider distribution of power inside the firm and the political economy in which it operates.

A central finding of this study is that the effectiveness of employee participation depends on the interaction between three elements: legal design, institutional capacity, and normative orientation. First, legal provisions must move beyond declaratory rights and establish enforceable mechanisms that integrate employees into core governance bodies. Second, institutional capacity, including functioning labor institutions, independent representation, and credible enforcement, is necessary to translate formal rights into practice. Third, and more fundamentally, participation requires a normative re-conception of the corporation as a social institution rather than a purely contractual nexus of capital.

For Southeast Europe, these findings carry direct implications for ongoing reform processes. Incremental adjustments limited to information and consultation rights are unlikely to produce substantive change. Instead, reform strategies should consider introducing calibrated forms of board level participation, strengthening works councils, and linking employee involvement to broader corporate governance reforms, including transparency and accountability mechanisms. At the same time, transplantation of foreign models must be approached cautiously. The German

experience illustrates that codetermination is a product of a long term political and social compromise, supported by strong institutions and economic structures.

More broadly, the article contributes to the ongoing debate on the future of corporate governance in the context of rising inequality, technological transformation, and the growing prominence of ESG frameworks. While recent developments suggest a rhetorical shift towards stakeholder capitalism, the comparative evidence presented here indicates that without structural changes in governance arrangements, such shifts risk remaining superficial. Employee participation, if meaningfully implemented, offers one of the few mechanisms capable of embedding democratic principles within the firm and rebalancing the relationship between capital and labor.

In conclusion, the study confirms that employee participation is neither an inevitable feature of advanced economies nor an anachronistic remnant of past industrial systems. It is a contingent institutional choice. Where it is supported by robust legal frameworks, effective institutions, and a clear normative commitment, it can enhance both corporate accountability and long-term economic performance. Where these conditions are absent, participation is reduced to form without substance. The challenge for transitional and developed economies alike is therefore not whether to include employees in corporate governance, but how to design systems in which such inclusion is both meaningful and sustainable.

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REZIME

Istraživanja o korporativnom upravljanju još uvek nisu ponudila temeljno komparativno objašnjenje načina na koji su zaposleni zastupljeni u različitim ekonomskim sistemima. Ovaj rad nastoji da popuni tu prazninu upoređivanjem dva ključna modela: učešća zaposlenih u procesima donošenja odluka i vlasništva zaposlenih nad akcijama kompanije. Polazeći od teorijskih okvira komparativnog prava i teorije stejkholdera, rad ispituje u kojoj meri ovi modeli doprinose demokratizaciji upravljanja, unapređenju radnih odnosa i dugoročnoj održivosti preduzeća. Analiza se zasniva na kvalitativnom pristupu i obuhvata studije slučaja iz Nemačke, Ujedinjenog Kraljevstva, Sjedinjenih Američkih Država i Kine, koje se razmatraju uporedo sa iskustvima postsocijalističkih zemalja poput Hrvatske, Slovenije i Srbije. Posebna pažnja posvećena je institucionalnim aranžmanima, pravnim okvirima i stepenu njihove primene u praksi, kao i istorijskom nasleđu koje oblikuje savremene modele upravljanja. Nalazi ukazuju na to da države u tranziciji karakterišu specifične pravne, institucionalne i socio-ekonomske prepreke koje ograničavaju stvarni uticaj zaposlenih, čak i tamo gde zakonska rešenja formalno predviđaju visok stepen participacije. U tim kontekstima često dolazi do diskrepancije između normativnog okvira i njegove implementacije, usled slabih institucija, nedostatka korporativne kulture participacije i ograničenih mehanizama nadzora. Posebno u jugoistočnoj Evropi, zakonodavne reforme često nisu zaživele u praksi, što ukazuje na postojanje trajnog jaza između ambicija javnih politika i njihove efektivne

primene. Studija se završava predlaganjem normativnog i institucionalnog okvira za reformu, sa ciljem oblikovanja modela korporativnog upravljanja koji su inkluzivniji, efikasniji i bolje prilagođeni realnostima tranzicionih ekonomija. Predloženi okvir podrazumeva jačanje pravne sigurnosti, unapređenje mehanizama implementacije i nadzora, kao i razvoj participativne korporativne kulture koja omogućava stvarno uključivanje zaposlenih u procese odlučivanja.