Fighting Back Against Financialisation in the EFFAT Sectors

Recommendations for Europe to Empower Workers

Since the 2008 financial crisis, the EFFAT sectors of food, agriculture, and tourism have been subject to a sustained period of financialisaton, with harmful consequences for workers. Financialisation refers to the increasing influence of financial markets and institutions over the real economy, as well as management's reckless pursuit of financial targets over a company's wider and long-term health. In practice, this involves private equity firms, investment funds, and banks expanding their control over companies via investments or loans and pushing management to adopt short-term targets to increase profitability. The two defining characteristics of this shift towards financialisation are the misguided belief that long-term, strategic investments do not add value to shareholders' positions and that reducing labour costs is the first port of call. With this growing trend, shareholders only look for quick returns on their investments, seeking greater labour flexibility and increased employee workload. Companies want to move freely, avoid taxes, and constantly pressure governments to undermine labour and environmental standards perceived as obstacles to maximising shareholder value. The result is an attack on workers' and trade union rights, creating a more unfair society, and an economic climate where and more companies increasingly extract from a world with limited resources, while both the environment and working people pay the price.

As a result of financialisaton, workers experience short-sighted restructurings, supressed wages, and deteriorating conditions, all to the immediate benefit of financial institutions. Once enacted, these Faustian improvements often allow these financial actors to sell on their stake in the company at a profit, only for the cycle to repeat, until it is in run into the ground.

Along with this, we often see management's remuneration be significantly inflated and tied to these targets, often in the form of equity and stocks. To reward investors, the company will pay out large dividends or buy back shares on the open market, increasing their debt and reducing their capacity to invest, all to inflate the current share price.

Research, developed by EFFAT and Syndex, demonstrates how financialisation has taken effect across our sectors and the negative consequences brought on by major companies where our members are based. Since the financial crisis, more and more financial actors, such banks, private equity, and hedge funds, have flocked to the food, agriculture, and hospitality sectors, recognising the opportunities to make short-term returns on their investments. Under this period of financialisaton, these actors launch buyouts and take-overs of established firms and their company boards. Having gained control of these companies, these financial actors establish corporate strategies to ratchet up profits, often incentivising central management with eye-watering compensation packages where goals are met.

To achieve these targets, these companies cut jobs and pay, whilst seeking to worsen conditions and supress trade unions' efforts to organise against these attacks on workers. Additionally, profits are realised by scaling back on investments in the workforce, new production lines, and sustainable technology, damaging the company's long-term growth and development.

These newfound profits are fed back to investors via dividends and share buybacks. Equally, these profits artificially boost the company's value, allowing these groups to exit the company, selling on to other financial actors only having acquired ownership a few years prior, only for this process to start again.

In the food and drink sector from 2010-2020, real wages in most EU states have flatlined or decreased, even whilst revenues have increased in 22% in this period[1]. As a result of further cost-

[1] Fabien Coudrec, Paul Dillon, & Cynthia Wambo, "*Strengthening Democracy At Work And Managing The Impact Of*

cutting, investment has fallen and the use of temporary workers in the sector has increased. At the same time, industry leaders have increased the level of dividend payouts between 50-100%[2].

In the agriculture sector, financial actors have bought up land, capitalising on increasing prices, as well as agrifood companies attempting to vertically integrate. Both these trends have created a downward pressure on workers' wages, limited investment for local development, and much of the wealth created from this land being pooled outside Europe. Equally, in the grain commodity market, as well as for other commodities, there has been widespread speculation from financial market participants, leading to unstable price speculations. These speculators have often taken advantage of unstable geopolitical situations and wars, profiting from the hunger of millions of people in countries with food-deficits. Such speculation has indeed undermined food affordability and even food security is some countries.

In the hospitality sector, real estate investment trusts have emerged, buying up commercial property and leasing them to hotel owners, allowing them to shift their business model and adopt franchising or licensing agreements, often at the expense of workers' wages and conditions.

Across all these sectors it is clear, financialisation seeks to take an axe to the workers' wages and conditions, fought through dedicated organising and meaningful collective bargaining. Moreover, financialisation puts the long-term health and performance of these companies at risk, endangering working people and the wider economy, to enrich financial institutions and their leaders. Now more than ever, it is time that Europe wakes up to this reality and act. This phenomenon is a root cause of many of the major challenges society now faces — from rising inequality and poverty to the worsening climate crisis, and increased stress in the workplace. A short-term focus on profit leaves no room for long-term investment in sustainability, fairness, or social well-being.

EFFAT has developed the following **10 recommendations to improve transparency and accountability in financial practices**, ensuring workers can push back against these harmful trends:

1. **Expand and Protect Workers' Representatives' Rights at the Company Board Level**, ensuring workers have binding rights to participate in company boards across the EU, as well as access to training and expert support.
2. **Reform the EU Directive on Takeover Bids (Directive 2004/25/EC)**, by aligning workers' rights to experts and training, consultation rights, and disclosures of information with the upcoming revision of the European Works Council Directive.
3. **Reform the EU Shareholder Rights Directive (Directive 2007/36/EC)** so that workers are well equipped to provide an input in corporate bodies and have the right to raise issues such as executive remuneration linking it to long-term, sustainable, and investment metrics.
4. **Address Share Buybacks in Europe and their moral hazards** through measures including: higher taxation, transparent reporting, restrict share buybacks as part of executive compensation packages, and ban debt-financed share buybacks.
5. **Regulate Private Equity's harmful impacts on workers** by ensuring workers have clear information and consultation rights for takeovers and major investments, private equity disclosures on their acquisition's impacts on workers.
6. **Limit speculative trading on food and food commodities market**, targeting positions, margin requirements, market access, and fair pricing.
7. **Targeted taxation to curb excessive speculation and stabilise financial markets**, including a financial transaction tax and windfall taxes on excess profits.

Financialisation In The EFFAT Sectors" EFFAT & Syndex, 2024.

[2] Fabien Coudrec, Paul Dillon, & Cynthia Wambo, "*Strengthening Democracy At Work And Managing The Impact Of Financialisation In The EFFAT Sectors"* EFFAT & Syndex, 2024.

In addition to the above-mentioned recommendations addressed to policy makers, EFFAT is well aware that change is only possible through trade union power and mobilisation. This is why EFFAT and its affiliates commit to:

8 **Prioritise the threats of financialisation and shareholder value-maximisation** in our trade union work.

9 **Continue organising training** addressed to shop stewards, union officers and members of national and European Works Councils on the impact of financialisation in our sectors and how to fight back.

10 **Promote capacity-building and good practices among affiliates** to address shareholder value maximisation through Collective Bargaining and Social Dialogue since these are the strongest tools workers have to secure a degree of job security, a reasonable wage, and decent terms and conditions, and to protect them from this destructive trend of financialisaton.

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Annex of Recommendations for EU/National Governments

1. **Expand and Protect Workers' Rights at the Company Board Level:**
   - Ensure binding regulations for worker participation on company boards.
   - Provide training and support for workers' representatives.
   - Cover cross-border issues and implement the best model for worker participation across countries.
2. **Reform the EU Directive on Takeover Bids:**
   - Enhance transparency and information for workers during takeovers.
   - Provide employee representatives with the right to experts.
   - Ensure employee opinions are considered and require offerors to respond in writing.
   - Strengthen consultation rights between offeror companies and employee representatives.
3. **Reform the EU Shareholder Rights Directive:**
   - Boost the capacity of employee representatives through training and expert access.
   - Allow employee representatives to express opinions on executive remuneration and company-wide employment conditions.
   - Align executive pay with long-term goals like sustainability and employee development.
4. **Address share buybacks in Europe:**
   - Increase taxation on share buybacks.
   - Require detailed reporting on share buyback programs to assess their impact on investment and workers.
   - Prohibit debt-financed share buybacks.
   - Limit buybacks linked to executive compensation.
5. **Regulate Private Equity:**
   - Improve information and consultation rights for employee representatives during private equity takeovers and investments.
   - Clarify notification requirements and include employment impact details.
   - Extend TUPE regulations to cover acquisitions through majority share sales to protect employees.
6. **Limit speculative trading on food and food commodity markets:**
   - Implement and enforce stricter position limits on the number of contracts that can be held by a single entity in food commodity markets.
   - Increase margin requirements for securities and forward contracts trades in food commodities.
   - Mandate comprehensive reporting of all trading activities in food raw material markets.
   - Ensure that data on trading volumes, positions, stocks and prices are made publicly accessible in a timely manner.
   - Ensure that positions on a given market are proportional to effective productive needs of manufacturers and a below non distortive level for market makers.
   - Limit access to markets to manufacturers, producers and market markers.
   - Ensure of a level of fair pricing for farmers.
7. **Targeted taxation to curb excessive speculation and stabilise financial markets:**
   - Introduce a Financial Transaction Tax (FTT).
   - Introduce windfall taxation on excess profits.

For a more detailed explanation of these recommendations, please consult EFFAT's Report on Strengthening Democracy at Work and Managing the Impact of Financialisation.