The EU Labor Requirements For Turkey: What Are The Implications For Corporate Governance?

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WHAT ARE THE IMPLICATIONS FOR CORPORATE GOVERNANCE?

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I. INTRODUCTION

Corporate governance has been defined, “broadly as the exercise of power over corporate entities so as to increase the value provided to the organization's various stakeholders, as well as making those stakeholders accountable for acting responsibly with regard to the protection, generation, and distribution of wealth invested in the firm.” The EU requirements have the potential to exercise power over corporations in that they may affect: 1) how stakeholders interact with corporations and therefore decision-making processes, and 2) the outcome of corporate processes with respect to competing priorities of stakeholders.

Another approach in defining corporate governance is taken by the International Finance Corporation of the World Bank Group. The IFC emphasizes five principles of corporate governance:

- The rights and equitable treatment of shareholders, including communicating accessible and understandable information.
- The interests of other stakeholders, including legal and other obligations.
- The role and responsibilities of the board, including providing a range of skills and understanding to meet the needs of the business.
- Integrity and ethical behavior, including developing a code of conduct.
- Disclosure and transparency, including public information about the responsibilities of the board and accurate and timely information for investors.

As the discussion questions at the end of this case will make clear, EU labor requirements may have implications for the implementation of each of these principles.

Turkey is a rapidly growing and emerging market that lies at the cross roads of the East and the West. The Bosporus, which divides Europe from Asia, runs through Turkey’s most populous city, Istanbul, which is located at the northwest corner of the country. Turkey is currently a candidate for accession into the European Union. With a population of 79 million and a relatively high birth rate, it has the potential of being the most populous country of any in Europe.

Applying for and obtaining membership in the European Union is an intensive and lengthy process. This has been especially true for Turkey. Admission to the EU for Turkey continues to be controversial both within the EU and within Turkey. Nonetheless, the process is continuing and Turkey is making progress in a number of criteria for admission. This case examines EU requirements that are concerned with the labor force and labor market policies and raises questions concerning the implications for corporate governance in Turkey. A hypothetical firm in the textile industry is used as an example to illustrate the
possible changes in governance and strategy that may be necessitated or encouraged by meeting EU labor requirements.

This case focuses on workers as stakeholders. The *acquis communautaire* describes the regulations and criteria for EU admission, including three chapters that deal directly with labor issues. The implementation of these requirements and related labor laws has the potential to change the relative power of workers as stakeholders and therefore their influence on corporate decisions, as well as the distribution of gains in value among stakeholders.

The case begins with background information on the EU labor requirements, the Turkish economy and labor markets, and the textile industry. Questions are then raised concerning corporate governance and strategy for a textile firm in Turkey, focusing on the implications for the firm’s labor supply, human resource policies and strategies. Through this process, the reader comes to appreciate how Turkey's potential movement towards meeting EU labor requirements may change the economic relationship between organizations in the textile industry and workers and therefore corporate governance and strategy in Turkey. This is true for all industries, not just for the textile industry.

II. THE EU LABOR REQUIREMENTS AND LABOR LAWS

Three chapters of the *acquis communautaire* deal directly with labor issues.

- **Chapter 2, Freedom of Movement for Workers.** This specifies that citizens of the EU have the right to work in other Member States and must be subject to the same working conditions and social and tax advantages as are nationals.

- **Chapter 19, Social Policy and Employment.** There are minimum standards set by the EU concerning such issues as labor law, equality, work health and safety, anti-discrimination and equal opportunities for men and women. The goal here is to support employment policies that bring about greater social inclusion.

- **Chapter 26, Education and Culture.** This sets up the goal of cooperation and convergence on education and training policies and discusses expectations concerning the financial management of programs. However, “The areas of education, training, youth and culture are primarily the competence of the Member States.”

Member States are also subject to the treaties of the EU, legislation and case law. There are three major overall objectives of the European Employment Strategy (EES): full employment; quality and productivity at work; and cohesion and an inclusive labor market. Here are some examples of priorities and initiatives that would need to be in place in Turkey to achieve these goals.

- Increase the employment to population ratio. The Lisbon strategy sets a target of 70% overall and 60% for women.

- Greater labor market flexibility. Turkey has already made it easier for firms to hire part-time workers and fixed-contract workers. The EES however, also requires that such workers are not treated less favorably than full-time and permanent workers with respect to employment conditions. However, opening up part-time work is expected to facilitate greater employment of women.

- Promote “a skilled, trained and adaptable work force.” This in turn requires investment in education and training, for the large number of young people in Turkey as well as for adults, and other active labor market policies.

- Prevent sex discrimination and promote gender equality in the labor market.

- Provide legal rights and protection for workers. At the same time that labor market flexibility is needed, it is necessary to have Employment Protection Laws (EPLs) that provide such safeguards.
as maximum hours, minimum annual leave, safety and health requirements, and rights when business ownership is transferred or a business becomes insolvent.

- Establish the right for workers to organize in order to “create the conditions for a free and genuine bipartite as well as tripartite social dialogue at all levels.” This requires, among other things that workers and their representatives have access to appropriate information and be involved in consultation with firms on such issues as the firm’s economic situation and decisions that are likely to result in major changes in employment and work organization.5

- Apply all laws and policies, regulation and taxes to the informal sector, which would move to eliminate or at least drastically reduce the informal sector. In addition to extending rights to workers in this sector, this would allow the government to collect more revenue from taxes or to lower the tax burden on the current formal sector

III. THE TURKISH ECONOMY AND LABOR MARKETS

The reader’s attention is turned to Table 1, which describes economic, education and labor force characteristics of Turkey. The gross domestic product in 2010 was (US) $729.1 billion. The gross domestic product per capita was $12,300, which ranks Turkey 92nd in the world.

The literacy rate is 81% for females and 96% for males. Ninety-four percent of females attain primary education and 96% of males do so. Seventy percent of females and 77% of males attain secondary school education. Tertiary school attainment is 34% for females and 43% for males.

The total labor force is 24,700,000, which is 24th in size relative to other labor forces in the world. Approximately 1.2 million Turks work abroad. The annual average wage for males is 20,441 Turkish Lira. For females, this wage is 5,352 Turkish Lira. This corresponds to (US) $12,843 and $3,362 respectively. This large gender gap can be attributable in part to occupational segregation, with women being employed in less skilled occupations. One could compare these wages to those in the EU (in Euros): EU 27 - 13.38, EU16 - 13.99, Turkey - 3.10. The male and female labor force participation rates in Turkey are 74% and 26% respectively.

Most workplace establishments are small, with 1,047,921 establishments having only between one and nine employees. On the other end of the spectrum, only 199 establishments have over 1000 employees. Thirty percent of employees are in the agricultural sector, 25% are in the industrial sector and 45% are in the services sector. Major industries include oil and gas, telecommunications, tourism and agriculture.

Unemployment in 2010 was 12.4%, which is down from the 2009 figure of 14.1%. On a country basis, Turkey ranks 131/200 countries in terms of high unemployment rates. Youth unemployment is 18.1%. Unemployment rates by education are 23.6% for females completing tertiary education and 8.6% for males similarly educated. Unemployment rates for females completing secondary education are 39.1% and 24.1% for males. A very high proportion, 43%, work in the informal economy. This fact could distort all percentages, including inter-country comparisons.

Strikes are relatively rare. In 2008, there were only 15 strikes and in 2009, there were 34. The number of person/days lost to strikes was 145,725 and 209,913 respectively. There was one lockout in 2008 and none in 2009.
<table>
<thead>
<tr>
<th>Statistic</th>
<th>Number</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROSS DOMESTIC PRODUCT</td>
<td>$729.1 billion</td>
<td>(2010 est.)</td>
</tr>
<tr>
<td>GROSS DOMESTIC PRODUCT PER CAPITA</td>
<td>$12,300</td>
<td>(2010 est.) Rank of 92 in world.</td>
</tr>
<tr>
<td>LITERACY</td>
<td>Female 81%, male 96%</td>
<td></td>
</tr>
<tr>
<td>EDUCATION</td>
<td>Education level attained:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Primary school 94% female,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>96% male</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Secondary school 70% female,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>77% male</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tertiary school 34% female,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>43% male</td>
<td></td>
</tr>
<tr>
<td>TOTAL LABOR FORCE</td>
<td>24.73 million</td>
<td>Country comparison to the world: 24.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>About 1.2 million Turks work abroad (2010 est.).</td>
</tr>
<tr>
<td>AVERAGE WAGES</td>
<td>Annual male 20,441 Turkish</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lira</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Female 5,352 Turkish Lira</td>
<td></td>
</tr>
<tr>
<td>MEAN GROSS HOURLY EARNINGS IN EUROS</td>
<td>EU 27 13.38</td>
<td></td>
</tr>
<tr>
<td></td>
<td>EU16 13.99</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Turkey 3.10</td>
<td></td>
</tr>
<tr>
<td>LABOR FORCE PARTICIPATION RATE BY GENDER</td>
<td>Male 74%, female 26%</td>
<td></td>
</tr>
<tr>
<td>NUMBER OF ESTABLISHMENTS BY SIZE</td>
<td>Size of the establishment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1-9 1,047,921</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10-49 145,757</td>
<td></td>
</tr>
<tr>
<td></td>
<td>50-99 12,451</td>
<td></td>
</tr>
<tr>
<td></td>
<td>100-499 9,352</td>
<td></td>
</tr>
<tr>
<td></td>
<td>500-999 628</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1000 Plus 199</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,216,308</td>
<td></td>
</tr>
<tr>
<td>LABOR FORCE PARTICIPATION RATE BY SECTOR</td>
<td>Agriculture: 29.5%</td>
<td>(2005)</td>
</tr>
<tr>
<td></td>
<td>Industry: 24.7%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Services: 45.8%</td>
<td></td>
</tr>
<tr>
<td>LABOR FORCE - BY SECTOR</td>
<td>Major industries: oil and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>gas, telecommunications,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>tourism, agriculture, the</td>
<td></td>
</tr>
<tr>
<td></td>
<td>production of automotives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and electronics, construction,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>clothing and textile</td>
<td></td>
</tr>
<tr>
<td></td>
<td>production, the production</td>
<td></td>
</tr>
<tr>
<td></td>
<td>of petroleum, iron and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>steel, and mining.</td>
<td></td>
</tr>
</tbody>
</table>
IV. THE TEXTILE INDUSTRY IN TURKEY

The Istanbul Textile and Apparel Exporter Association (ITKIB), a trade association, lists the following advantages of the Turkish textile industry:

“Richness in basic raw materials, ranking seventh in the world in annual cotton production and production of synthetic and artificial fibers.
Geographic proximity to main markets, especially in Europe.
Short logistics due to geographic proximity.
Qualified and well-educated labor force.
Liberal trade policies.
Well developed textile-finishing industry.
Importance given to quality, environment and human health, sensitivity to working conditions of employees.
Customs union agreement with the European Union and free trade agreements with many other countries.”

Although this list is written by a trade association that is trying to promote Turkish exports, many of these advantages are real and have helped sustain the sector. Other characteristics of the industry that should be considered fall under the following headings: the number and size of establishments, the importance of
both exports and imports in the national economy, the value-adding strategy pursued by many companies in the sector and the creation of strategic alliances with universities and government entities.

The textile sector in Turkey involves the manufacture of textile products and wearing apparel (that forms the focus for this case). Closely related, but not included, is the manufacture of leather and related products.\textsuperscript{24}

**Number of Establishments**

There are a large number of establishments. However, most are small in terms of number of employees, and many are family enterprises. The table below illustrates the size of the manufacturing establishments in the textile products and wearing apparel sectors and the distribution of employment in those establishments. The number of compulsory insured persons is a rough estimate of the total employment in the sector.

<table>
<thead>
<tr>
<th>Size of the establishment (number of employees)</th>
<th>Number of workplace establishments in textile products</th>
<th>Number of workplace establishments in wearing apparel</th>
<th>Number of compulsory insured individual textile products</th>
<th>Number of compulsory insured persons in wearing apparel</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3</td>
<td>6,292</td>
<td>13,693</td>
<td>10,696</td>
<td>23,449</td>
</tr>
<tr>
<td>4-6</td>
<td>2,212</td>
<td>4,546</td>
<td>10,666</td>
<td>21,910</td>
</tr>
<tr>
<td>7-9</td>
<td>1,177</td>
<td>2,411</td>
<td>9,333</td>
<td>19,068</td>
</tr>
<tr>
<td>10-19</td>
<td>1,604</td>
<td>2,577</td>
<td>22,064</td>
<td>35,237</td>
</tr>
<tr>
<td>20-29</td>
<td>758</td>
<td>1,181</td>
<td>18,275</td>
<td>28,587</td>
</tr>
<tr>
<td>30-49</td>
<td>851</td>
<td>1,181</td>
<td>33,177</td>
<td>45,357</td>
</tr>
<tr>
<td>50-99</td>
<td>574</td>
<td>631</td>
<td>40,829</td>
<td>44,475</td>
</tr>
<tr>
<td>100-499</td>
<td>655</td>
<td>495</td>
<td>126,641</td>
<td>96,988</td>
</tr>
<tr>
<td>500-999</td>
<td>65</td>
<td>36</td>
<td>42,766</td>
<td>24,487</td>
</tr>
<tr>
<td>1000 Plus</td>
<td>11</td>
<td>13</td>
<td>16,991</td>
<td>18,558</td>
</tr>
<tr>
<td>Total</td>
<td>14,197</td>
<td>26,764</td>
<td>331,438</td>
<td>358,116</td>
</tr>
</tbody>
</table>

\*This table excludes manufacturing of leather products.

The average number of workers in each of Turkey’s 40,961 textile companies is 16. As noted above, family businesses are very dominant in Turkey. The SGK (Social Security Institution) data reports that the sector, along with the construction and leather manufacturing sectors, leads the list of sectors with the lowest salary paid to its workers. The average daily payment per worker stands at TL 30 (Turkish Lira, about $20 US or 13.4 Euro) in the textile industry.

Wages in the textile sector are low for a variety of reasons. The sector consists of jobs that tend to be low skilled, home-based and held by women, who might be employed only part time. For example, in a
survey of women workers in Istanbul’s garment industry, 50% are age 25 or under; 74% have only primary school education or illiterate; 46% are married, meaning they are not the sole support of their family. Further, 75% of these women work in other than large-scale factories, such as small workshops and home-based production. These establishments would tend to have lower wages.

Additionally, it has been estimated that two-thirds of all employees in the textile industry work in the informal sector, meaning that they would not be counted in the number of employed individuals in the sector because they are not covered by social security. Additionally, they are difficult to monitor with respect to compliance with requirements for EU membership.

An employer association has been conducting activities under the name Turkish Textile Employers’ Association (Tütsis) since February 13, 1962. It transformed itself into a Turkey-wide organization one year after its founding by textile industrialists. They serve members by providing mutual support including support in collective bargaining.

The Confederation of Turkish Trade Unions (TÜRK-İŞ) is one of four major national trade union associations in Turkey. It was created in 1952 and is the oldest of the four centers, having been the only trade union organization to survive the 1980 military coup. TÜRK-İŞ claims a membership of 1.75 million, and is affiliated with the International Trade Union Confederation, and the European Trade Union Confederation. It is also a member of the Trade Union Advisory Committee to the OECD.

There are 11 trade unions in the textile sector in 2009, the same number in 2008. Strikes in the textile industry are relatively rare. In 2008, there was one strike, involving seven workplaces and 209 workers. For a given workplace, the average participation rate of the workers striking was 73.59% and resulted in 26,125 workdays lost. The comparable statistics for 2009 are one strike, one establishment, 603 workers, participation rate of .5% and 162 work days lost.

Exports and Imports

Since 1996, Turkey and the EU have had a Customs Union agreement to promote trade. The textile industry in Turkey is now a driving force in the Turkish export industry. Turkey is a very large exporter of textiles to the European Union. It has a very large textile production capacity, one of the largest in the EU and fourth largest in the world. Its share in the country’s GDP is around 10.7% and the share of total employment is 10.9% (Cukul, 2008). There are about 40,000 manufacturing companies and 1.9 million employees in the Turkish textile sector. Textile exports reached $5.4 billion US dollars in 2009.

The textiles and clothing sector employs around one-fifth of Turkey’s industrial labor, accounting for 21.5% of total industrial output. From 2003 onwards, the share of textiles and clothing in export revenue began to fall as exports of other industrial products such as motor vehicles began to increase. In 2007, the share of textiles and clothing in export revenue was 20.9%, whereas motor vehicles accounted for 15.8% (compared with 10% in 2002). In 2008 the shares in export revenue were 17.4% (textiles and clothing) and 13.6% (motor vehicles), declining to 11.3% and 11.6%, respectively, in 2009.

There are 7,500 textile manufacturers solely producing for export. Forty-nine percent of Turkish textile exports go to EU countries. The next important group of countries to which Turkey exports is former USSR countries. Turkey ranks sixth in clothing exports and third in home textile exports in the world. Major exports in clothing & textiles accounted for 18.8% of total exports in 2009.
Sector Strategy: Producing High Value-Added Products and Selling Them at Reasonable Prices

The current strategic goal for the industry, as marketed by the trade association, is to produce high value added, original and high quality products and sell them at “reasonable” prices. Turkey is developing experience in fabric design and presents designs in fashion shows in various markets. These designs, developed by textile industrialists, are trademarked and patent protected, providing protection to the process of providing high-value added products. Manufacturers in the apparel industry in Turkey promote their products through many fairs. At the time of the writing of this case, there were upcoming apparel fairs in promoting women’s wear, men’s wear, kids’ wear, and fashion accessories brands. To quote from an Internet website “Istanbul has become the new center of this sector due to the fact that it has very close contacts between Europe and Asia”. Moreover, there seems to be the tendency towards a niche in upscale/designer apparel.\(^{36}\)

Strategic Alliances

The Turkish government has also formulated partnerships among university, industry, and government entities and is giving attention to the importance of R and D in a variety of industries. There are alliances with universities offering degrees in textile engineering, including Ege University and Istanbul Technical University.\(^{37}\)

V. IMPLICATIONS FOR GOVERNANCE AND LABOR STRATEGIES: DISCUSSION POINTS AND QUESTIONS

These questions should be considered from the point of view of a firm. This firm is a medium size textile manufacturer in the formal sector. It currently has between 100 and 125 workers, including several skilled workers in fabric design, but most workers are currently unskilled or semi-skilled. About 35% of the workforce is women. Our turnover rate for all skills is quite high. Most of our workers are in a union, but the union has not been very powerful. The firm is an active member of the trade association. The Board of Directors and top management have agreed on a strategic goal that is consistent with that of the trade association: to produce high value added, original and high quality products and sell them at reasonable prices. The firm defines “reasonable” prices as competitive prices for high quality goods. The company is developing experience in fabric design and plans to export these in various markets.

Disclosure and Transparency and Interests of Labor as a Stakeholder

Employment Protection Laws

1. The European Employment Strategy includes various Employment Protection Laws (EPLs), and in general, increases the rights and the effective voice of workers as stakeholders in a firm.

   a) What does creating “the conditions for a free and genuine bipartite as well as tripartite social dialogue at all levels” mean for the company?
   b) What does this imply about governance and labor strategies for the firm? For example, will the firm have to treat its labor force differently and/or negotiate with labor differently? Will it be expected to communicate with labor differently? Will it be expected to provide more information?
   c) How will this affect the firm’s decision-making processes? How might this affect decisions concerning hiring, training and turnover?
Role of Unions

2. Unions have not been strong in Turkey. Becoming a member of the EU may affect the ability of workers to unionize, making it more difficult or less difficult. (For example, might Turkish unions be able to increase their dialogue and alliances with European unions and receive support and guidance?)

   a) On balance, what do you think would happen to the power of unions in Turkey?
   b) What does this imply about governance and strategy for the firm? For example, will firms have to treat labor differently and/or negotiate with labor differently if unions become stronger (or weaker)?

Integrity and Ethical Behavior and Interests of Labor as a Stakeholder

"Low Road" vs. "High Road"

3. It has been said that a company (and a country) can choose a “low road” or a “high road” to increasing employment, productivity and growth. The “low road” involves low wages and low costs, but low productivity. The “high road” involves high wages and large investments in human capital, but high productivity and low turnover rates.

   a) Which “road” does the EU try to take? How?
   b) What strategies can make the firm benefit from being pushed in this direction?
   c) How does this “road” fit in with the current industry and firm strategy to produce high quality and high value-added products at reasonable prices?

Employment Flexibility

4. Although there is a greater emphasis on employee rights and Employment Protection Laws (EPLs) under the European Employment Strategy, there is also a greater emphasis on employment flexibility. For example, it is now easier to hire people part-time and with fixed-term contracts (as opposed to full-time, permanent positions.)

   a) What are the advantages and disadvantages of hiring more people in this way?
   b) Could there be an effect on the collective voice of workers as stakeholders if the firm moves toward greater part-time and fixed-term contracts? Why?
   c) Are there ethical issues that should be considered as the firm makes this decision?

Other Ethical Issues

5. What other ethical issues should the firm keep in mind as it adjusts our labor strategies in response to movement into the EU? For example, given the EU emphasis on increasing female employment and anti-discrimination policies, and the large proportion of women in the textile industry, are there ethical considerations with respect to female employees that the Board of Directors should consider.

Role and Responsibilities of the Board
6. The Board of Directors should have appropriate skills to deal with business issues and to question management.

   a) What are the implications of EU labor requirements or EU membership on the composition of the board?
   b) What skills and background become more important?

Rights and Equitable Treatment of Shareholders and Interests of the Shareholders

7. Taking all these factors into consideration:

   a) How might following the EU labor guidelines change the relative power of shareholders relative to other stakeholders?
   b) How would joining the EU raise costs for the firm or make it more difficult to run or less profitable for shareholders?
   c) What strategies would you suggest the firm undertake to minimize these problems?
   d) How would joining the EU provide opportunities for the firm to increase profits for shareholders?
   e) What strategies would you suggest that would maximize the gains from these opportunities?

EndNotes

2 http://www.oecd.org/dataoecd/32/18/31557724.pdf
4 http://ec.europa.eu/enlargement/enlargement_process/accession_process/how_does_a_country_join_the_eu/negotiations_croatia_turkey/index_en.htm describes these and the other chapters of the acquis.
17 http://www.prospects.ac.uk/turkey_job_market.htm
Questions for Further Discussion

Interests of Labor as a Stakeholder

Labor Mobility

1. If Turkey becomes a full member of the EU, there would be a free flow of labor between Turkey and other EU nations.
   a) What are the implications for mobility of workers?
   b) What are the implications for wages in the textile industry?
   c) What are the implications for how our firm must treat labor and negotiate with labor?
   d) Should this change the firm’s policies concerning human capital investment in its workers? Why might it be more likely to invest in training our workers? Why might it be less likely to do so? What do you think the firm should do?

Employment of Women

2. An important objective of the EU is to increase the employment rate for women, especially urban women. A related goal is to promote gender equality with respect to employment and wages.
a) If policies are put in place (and enforced) to support these objectives (for example, making it easier to hire part-time workers, and anti-discrimination laws), what opportunities might this create for the firm?

b) What challenges or costs might this create?

c) What do you think the firm should do to make movement in this direction prove to be a net gain for the firm? Are there any policies or programs the firm could initiate to recruit or retain women workers? Should it try these? Why or why not?

Interests of the Government as a Stakeholder and Other Stakeholders

3. Although EU regulations and strategies may increase costs for firms, it also places responsibilities on central governments to improve employment and productivity.

a) What government policies should the firm (or the trade association) lobby for that would help this firm make the transition into the EU more profitable?

b) What government policies should the firm (or the trade association) lobby for that would help achieve the current industry strategy to produce high quality and high value-added products at reasonable prices?

c) More generally, what kind of relationship should the firm pursue with the national government? What about the local government? What factors work in the firm’s favor when lobbying with the government at both levels?

d) What can a trade association do to help the company interact with various stakeholders such as suppliers and companies that buy from it? How might being a member of the EU make this more likely?

Interests of Shareholders as a Stakeholder

4. The EU looks at the implementation of the laws—not just the laws on the books.

a) What does this mean for the informal sector?

b) What are the implications for shareholder profits in this formal sector firm?