WHY CO-DETERMINATION?

A collection of good arguments for strong workers’ voice

Hans-Böckler-Stiftung
No contradiction: social responsibility and competitive companies

Social model: ‘Citizen in the workplace’
- Social security, democratic participation at the workplace and company level
- Free collective bargaining and trade unions

Competitive model: ‘Good corporate governance’
- ‘Sustainable company’ for competitiveness and social responsibility
General consensus at EU level

Worker participation is a basic democratic right, enshrined, for example, in the (binding) EU Charter of Fundamental Rights ...

‘Workers or their representatives must, at the appropriate levels, be guaranteed information and consultation in good time in the cases and under the conditions provided for by Union law and national laws and practices.’

Article 27

‘Workers and employers, or their respective organisations, have, in accordance with Union law and national laws and practices, the right to negotiate and conclude collective agreements at the appropriate levels and, in cases of conflicts of interest, to take collective action to defend their interests, including strike action.’

Article 28
The type of labour needed by European companies – skilled, mobile, committed, responsible, and capable of using technical innovations and of identifying with the objective of increasing competitiveness and quality – cannot be expected simply to obey the employers' instructions. Workers must be closely and permanently involved in decision-making at all levels of the company.

Final report of the EU High-level expert group on workers’ involvement (Davignon group), 1997
Co-determination in Germany: ‘Communicating vessels’

<table>
<thead>
<tr>
<th>WORKPLACE: Works councils</th>
<th>COMPANY: Supervisory board (SVB)</th>
<th>COLLECTIVE PARTICIPATION: Trade unions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workplace information, consultation and co-determination rights</td>
<td>Co-determination at board level (board-level employee representation) if &gt;2000 employees, 50% of SVB seats if &gt;500 employees), 1/3 of seats</td>
<td>Negotiate collective agreements Cooperate with works councils Have seats on the supervisory board</td>
</tr>
</tbody>
</table>

workplaces with at least 5 employees
Co-determination in Germany

Co-determination defines a set of rights that give employees the possibility of actively participating in the shaping of their working environment.

This includes legally stipulated co-determination rights, company agreements devised in conjunction with collective agreements, as well as informal possibilities that have arisen from co-determination practice.

https://www.boeckler.de/pdf/p_arbp_033.pdf

More information on German Industrial relations on www.worker-participation.eu
Co-determination involves several actors

**Business partners:** management and elected employee representatives on the shop floor => works councils

**Board-level representation:** shareholder representatives and elected employee representatives on the board of directors / supervisory board => works councils and trade unions

**Social partners:** collective organizations => employers' associations and trade unions

**Interests of all stakeholders** are taken into account

The cooperation between the social partners in the various areas makes the company a ‘peace zone’, as conflicts are dealt with at the level of the social partners (Müller-Jentsch)
Co-determination, collective bargaining and competitiveness

– Important function of collective agreements: even where no sectoral collective agreement applies, some firms apply it voluntarily or orient themselves to it.

– Rigid wage structures and wage growth as a result of trade union pressure have led to the fact that Germany did not enter into low price competition; wage increases had to be achieved through productivity gains, which in turn encouraged the use of new technologies and innovations and thus strengthened companies’ competitiveness. (Streeck)
MB-ix results: co-determination (at board level) influences business performance

The Mitbestimmungsindex (Co-determination Index) measures how strongly co-determination is anchored in a company. www.mitbestimmung.de/mbix

Companies with co-determination rights have:
1. higher investment rates
2. (more frequently) sustainability practices
3. higher training rates
4. a higher degree of job security.
5. top management remuneration systems which are more long-term and less stock market-oriented

Why co-determination? Hans-Böckler-Foundation 2018
19 out of 31: board-level employee representation (BLER) in the EEA member states

Aline Conchon, Norbert Kluge and Michael Stollt - European Trade Union Institute (August 2015 Update)

**Widespread participation rights**
- Comprising state-owned as well as private companies (13 countries)

**Limited participation rights**
- Mainly state-owned or privatised companies (6 countries)

**No (or very limited) participation rights**
- (12 countries)

BLER: The right to elect or appoint some of the members of the company's supervisory board / board of directors.
Strong co-determination, fair distribution

Income inequality and co-determination (at board level) in ....

Income inequality tends to be lower in countries with far-reaching co-determination rights.

Income distribution based on the Gini-coefficient; degree of co-determination according to 'Co-determination Index'


Why co-determination? Hans-Böckler-Foundation 2018
Managing the crisis in Germany – not possible without co-determination

The expansion of short-time working (STW), the reduction of overtime, the use of working time accounts and shorter working time saved a total of 1 million jobs during the crisis.

Except for STW, all instruments are based on collective agreements and/or company agreements between management and works councils or employment contracts.
More productive with works councils

With a works council, productivity increases by …

Both highly productive and less powerful companies can use employee representatives to increase their output per employee.
More innovative with works councils

Almost four-fifths of codetermined companies improved a product or adopted a different idea between 2008 and 2010.
Flexible and motivated thanks to co-determination

How the introduction of the EU Directive on information and consultation of employees changed the share of workplaces* with...

Working time accounts

+ 22 %

Motivation problems

− 28 %

* Workplaces > 50 employees in UK, IR, PL, CY

Quelle: Burdín, Pérotin 2016  Grafik zum Download: bit.do/impuls0656

Employee reps ensure that more firms offer working time accounts.
Trainees stay longer loyal

The retention rate of trainees after finishing their training is higher in codetermined workplaces by...

- In the first year: 20.5 percentage points
- In the third year: 24.5 percentage points
- In the fifth year: 26.5 percentage points

Companies with more than 5 employees
Quelle: Kriechel u. a. 2014  Grafik zum Download: [bit.do/impuls0045](http://bit.do/impuls0045)

Why co-determination? Hans-Böckler-Foundation 2018
An important level of democracy

Why co-determination? Hans-Böckler-Foundation 2018

The average participation rate in works council elections in 2014 was 79 per cent.

Quelle: Kißler u.a. 2014  Grafik zum Download: bit.do/impuls0030
Co-determination: a precondition for successful integration

A society that defines itself to a high degree by work also has to integrate people by work.

Two elements have a particularly high integrative force: **co-determination** as an active element of democracy and **in-company training**.

Codetermined companies have a big impact on whether we will in future talk of an immigration country (only) in the geo-economic sense or of socially inclusive immigration.

The integration work of trade unions and works councils involves daily engagement against racism, xenophobia and right-wing extremism.


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**e.g. IG Metall:**

- **24%** of its members in the workplace
- **32%** of its works councilors
- **37%** of its workplace union delegates
- **11%** of its works council chairs
  
  ... **have a migration background.**

Source: direkt 4/2017
Over all age groups co-determination is highly appreciated

Percentage of people relating something positive to co-determination or works councils

Quelle: Nienhüser 2016
Grafik zum Download: bit.do/impuls0399

Why co-determination? Hans-Böckler-Foundation 2018
If there is a works council fewer vacation days are forfeited

Number of vacation days to which employees are entitled in companies…

<table>
<thead>
<tr>
<th>With a works council</th>
<th>Without a works council</th>
</tr>
</thead>
<tbody>
<tr>
<td>30,1 Tage</td>
<td>28,8 Tage</td>
</tr>
</tbody>
</table>

Of which the following number of vacation days are never taken…

- 1,6 days
- 2,6 days

Quelle: Goerke, Jeworrek 2016
Grafik zum Download: bit.do/impuls0380
Co-determination educates

Training offers in companies

Companies with a works council are more concerned about the training of their employees, at least when it comes to general skills.
Co-determination protects and motivates

“Co-determination boosts employees’ motivation”

Strongly agree/tend to agree: 93%
Tend to disagree/strongly disagree: 6%

remaining %: No information. Sample of 500 employees

TNS Infratest für Hans-Böckler-Stiftung, Jan. 2015

“Co-determination protects employees in times of crisis”

Strongly agree/tend to agree: 77%
Tend to disagree/strongly disagree: 22%

remaining %: No information. Sample of 500 employees

TNS Infratest für Hans-Böckler-Stiftung, Jan. 2015
Countries with strong participation rights have advanced further in implementing the Europe 2020 targets.

<table>
<thead>
<tr>
<th>Success of EU countries with…</th>
<th>Target according to ‘Europe 2020’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong worker participation</td>
<td>75% Employment rate</td>
</tr>
<tr>
<td>Weak worker participation</td>
<td>40% University graduates</td>
</tr>
<tr>
<td></td>
<td>20% Share of renewable energies</td>
</tr>
<tr>
<td></td>
<td>3% of GDP Expenditure on research and development</td>
</tr>
</tbody>
</table>

Quelle: Vitos 2016  Grafik zum Download: bit.do/impuls0300  Daten bit.do/impuls0301
European Participation Index (EPI) in 2013

Higher market share, higher net sales

Companies with board-level employee representation (BLER) and collective bargaining agreements (CBA) have performed better than those without.


100 largest publicly-listed companies in Europe

Source: WV data set Hassel / Helmerich
Lower management remuneration

Companies **without** board-level employee representation (BLER) spent significantly more money on the highest remuneration packages than companies with BLER.


### Highest remuneration package by BLER (in million US$, 2014)

<table>
<thead>
<tr>
<th></th>
<th>No BLER</th>
<th>BLER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>7.89</td>
<td>4.07</td>
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</table>

100 largest publicly-listed companies in Europe

Source: WV data set Hassel / Helmerich
Co-determination 2035 – 4 scenarios
The future of work – only sustainable with workers’ voice

**COMPETITION**

An orientation towards growth and increasing pressure to maintain competitiveness lead to the marketisation of employee representation; co-determination has to have a ‘pay off’.

Crises and increasing distribution disputes lead to conflictual labour relations; alternative forms of economic activity and new forms of solidarity emerge.

**RESponsibility**

Negotiation processes become more personal, but are conducted within a framework protected by the state; more individual participation and responsibility.

The world of work is becoming more democratic; collective interest representation is (re)gaining importance in order to increase individual room to manoeuvre and ensure fair working conditions.

**STRUGGLE**

**FAIRNESS**

www.mitbestimmung.de/mb2035
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