WHY CODETERMINATION?

A collection of good arguments
for strong workers’ voice

Update: October 2019
No contradiction: social responsibility and competitive companies

<table>
<thead>
<tr>
<th>Social model: ‘Citizen in the workplace’</th>
<th>Competitive model: ‘Good corporate governance’</th>
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<tbody>
<tr>
<td>Social security, democratic participation at the workplace and company level</td>
<td>‘Sustainable company’ for competitiveness and social responsibility</td>
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<tr>
<td>Free collective bargaining and trade unions</td>
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</table>
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
Workers’ voice makes good economic sense

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
Codetermination in Germany: ‘Communicating vessels’

Workplace: Works councils
- Workplace information, consultation and codetermination rights
- workplaces with at least 5 employees

Company: Supervisory board (SVB)
- Codetermination at board level (board-level employee representation)
  - if >2000 employees: 50% of SVB seats
  - if >500 employees: 1/3 of seats

Collective Participation: Trade unions
- Negotiate collective agreements
- Cooperate with works councils
- Have seats on the supervisory board
Codetermination defines a set of rights that give employees the possibility of actively participating in the shaping of their working environment. This includes legally stipulated codetermination rights, company agreements devised in conjunction with collective agreements, as well as informal possibilities that have arisen from codetermination practice.

https://www.boeckler.de/pdf/p_arbp_313.pdf

More information on German Industrial relations on www.worker-participation.eu
Codetermination 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)
Codetermination, 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: codetermination (at board level) influences business performance

The Mitbestimmungsindex (Codetermination Index) measures how strongly codetermination is anchored in a company. [www.mitbestimmung.de/mbix](http://www.mitbestimmung.de/mbix)

Companies with codetermination 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
18 out of 28: board-level employee representation (BLER) in the EU member states

* France: Different thresholds for state-owned companies
** Austria: Only limited companies – no threshold in the case of PLCs, if there is a works council.

Source: Data from Conchon, Aline/Kluge, Norbert/Stollt, Michael (2015): Worker board-level participation in the 31 European Economic Area countries. ETUI, Brussels.
Illustration based on Böckler Impuls 9/2019, S. 5
Strong codetermination, fair distribution

Income inequality and codetermination (at board level) in ....

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

Income distribution based on the Gini-coefficient; degree of codetermination according to 'Codetermination Index'.
Strong worker participation, strong democracy

The state of democracy and worker participation in …


Companies with codetermination perform better economically in the financial crisis and in subsequent years.
Managing the crisis in Germany – not possible without codetermination

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.
Co-determination in the Supervisory Board increases companies’ capital stock by ... 

Codetermination increases the capital stock – that is, the stock of buildings, machines, patents or brands – by 30 to 50 per cent.

Source: Jäger et al. 2019
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.

Quelle: Cantner u.a. 2014 | © Hans-Böckler-Stiftung 2014
Flexible and motivated thanks to codetermination

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

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

An important level of democracy

The average participation rate in works council elections in 2018 was 75 per cent.

... 8 out of 10 employees voted.
Codetermination: 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: codetermination 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.

Over all age groups codetermination is highly appreciated

Percentage of people relating something positive to **codetermination** or **works councils**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>15–20-Jährige</td>
<td>79%</td>
</tr>
<tr>
<td>21–25</td>
<td>72%</td>
</tr>
<tr>
<td>26–30</td>
<td>72%</td>
</tr>
<tr>
<td>31–40</td>
<td>69%</td>
</tr>
<tr>
<td>41–50</td>
<td>64%</td>
</tr>
<tr>
<td>51–65</td>
<td>68%</td>
</tr>
<tr>
<td>über 65-Jährige</td>
<td>71%</td>
</tr>
<tr>
<td>gesamt</td>
<td>68%</td>
</tr>
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</table>

Quelle: Nienhäuser 2016    Grafik zum Download: bit.do/impuls0399
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></th>
<th>with a works council</th>
<th>without a works council</th>
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<tbody>
<tr>
<td>Number of days</td>
<td>30,1 Tage</td>
<td>28,8 Tage</td>
</tr>
<tr>
<td>Days never taken</td>
<td>1,6 days</td>
<td>2,6 days</td>
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Quelle: Coerke, Jeworrek 2016
Grafik zum Download: bit.do/impuls0380
Codetermination educates

Training offers in companies

<table>
<thead>
<tr>
<th>Works council</th>
<th>No works council</th>
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</thead>
<tbody>
<tr>
<td>never</td>
<td>never</td>
</tr>
<tr>
<td>often</td>
<td>often</td>
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Companies with a works council are more concerned about the training of their employees, at least when it comes to general skills.
Codetermination protects and motivates

“Codetermination 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

“Codetermination 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

Success of EU countries with...

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

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

Source: Vitols (2017) ETUI, Benchmarking Working Europe 2017
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

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

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

100 largest publicly-listed companies in Europe

Source: WV data set Hassel / Helmerich

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; codetermination has to have a ‘pay off’.

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

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

**FAIRNESS**
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.

www.mitbestimmung.de/scenarios