

# WHY CODETERMINATION?

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A collection of good arguments  
for strong workers' voice

Update: October 2019

# No contradiction: social responsibility and competitive companies

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**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

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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

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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'

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## 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

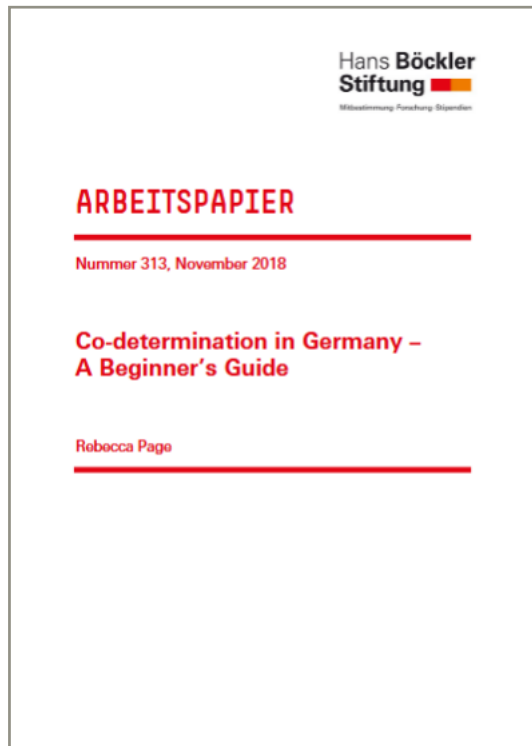
Negotiate collective  
agreements

Cooperate with works  
councils

Have seats on the  
supervisory board

# Codetermination in Germany

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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](https://www.boeckler.de/pdf/p_arbp_313.pdf)

More information on German Industrial relations on [www.worker-participation.eu](http://www.worker-participation.eu)

# Codetermination involves several actors

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**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

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- 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

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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

**WZB**

Berlin Social Science Center

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

## Where workers have a say in the EU

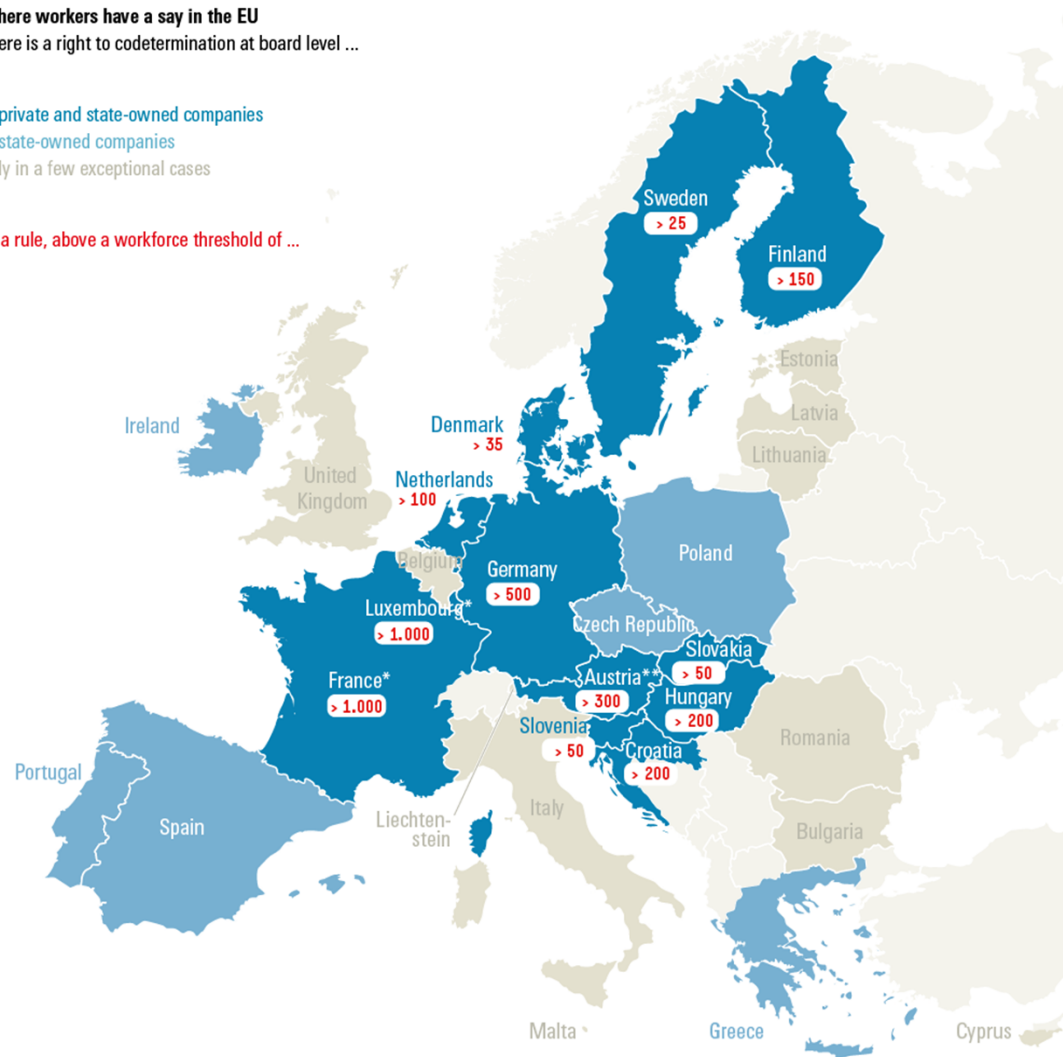
There is a right to codetermination at board level ...

in private and state-owned companies

in state-owned companies

only in a few exceptional cases

as a rule, above a workforce threshold of ...



\* France: Different thresholds for state-owned companies

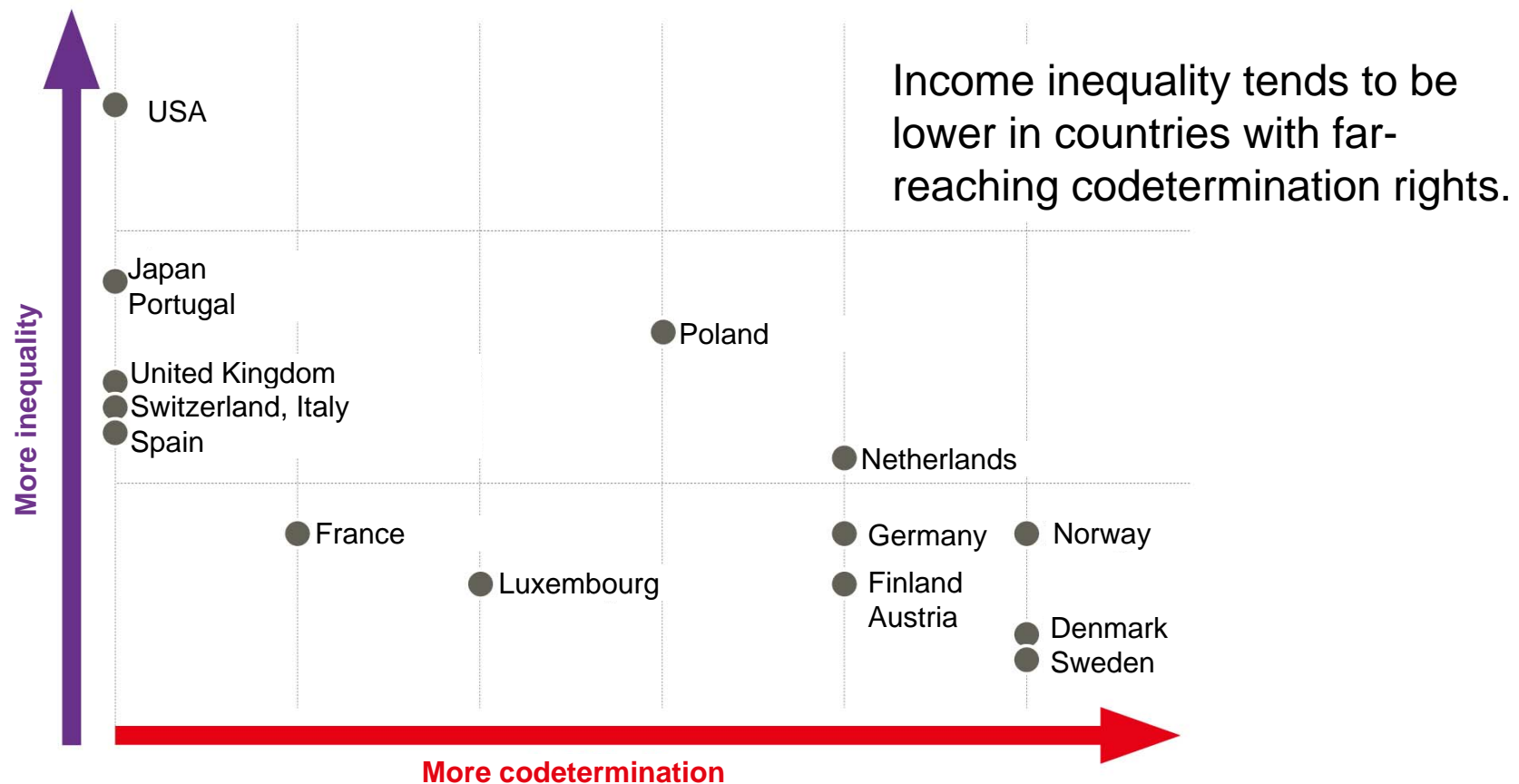
\*\* Austria: Only limited companies – no threshold in the case of PLCs, if there is a works council.

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

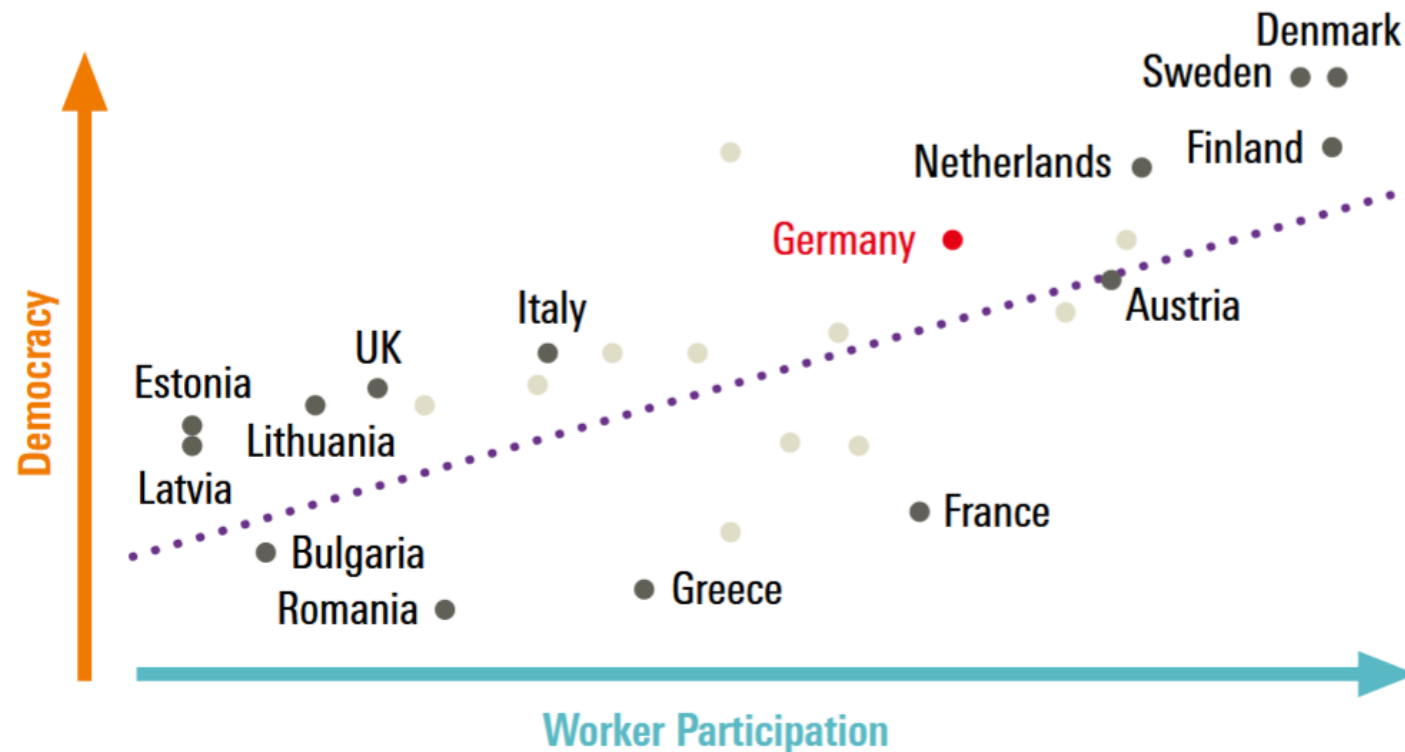
Income inequality and codetermination (at board level) in ....



Income distribution based on the Gini-coefficient; degree of codetermination according to 'Codetermination Index'  
Quelle: Hörisch 2012 Grafik zum Download: [bit.do/impuls0928](http://bit.do/impuls0928) Daten: [bit.do/impuls0929](http://bit.do/impuls0929)

# Strong worker participation, strong democracy

The state of democracy and worker participation in ...



Source: Data from Vltols, Sigurt (2018): Kontinent vieler Geschwindigkeiten.  
Arbeitnehmer- und Bürgerbeteiligung in Europa. In: WZB Mitteilungen 160, S. 30-32.  
Illustration based on Böckler Impuls 8/2019, S.7. German Graphic Download: [bit.do/impuls1246](https://bit.do/impuls1246)

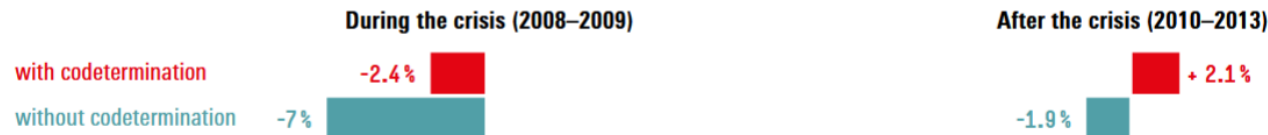
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Stiftung

# Companies with codetermination perform better

Change in yield (earnings per share) from 2006 to 2011 at:



Change in employment in comparison with the period before the crisis at companies:



Change in investments in comparison with the period before the crisis at companies:

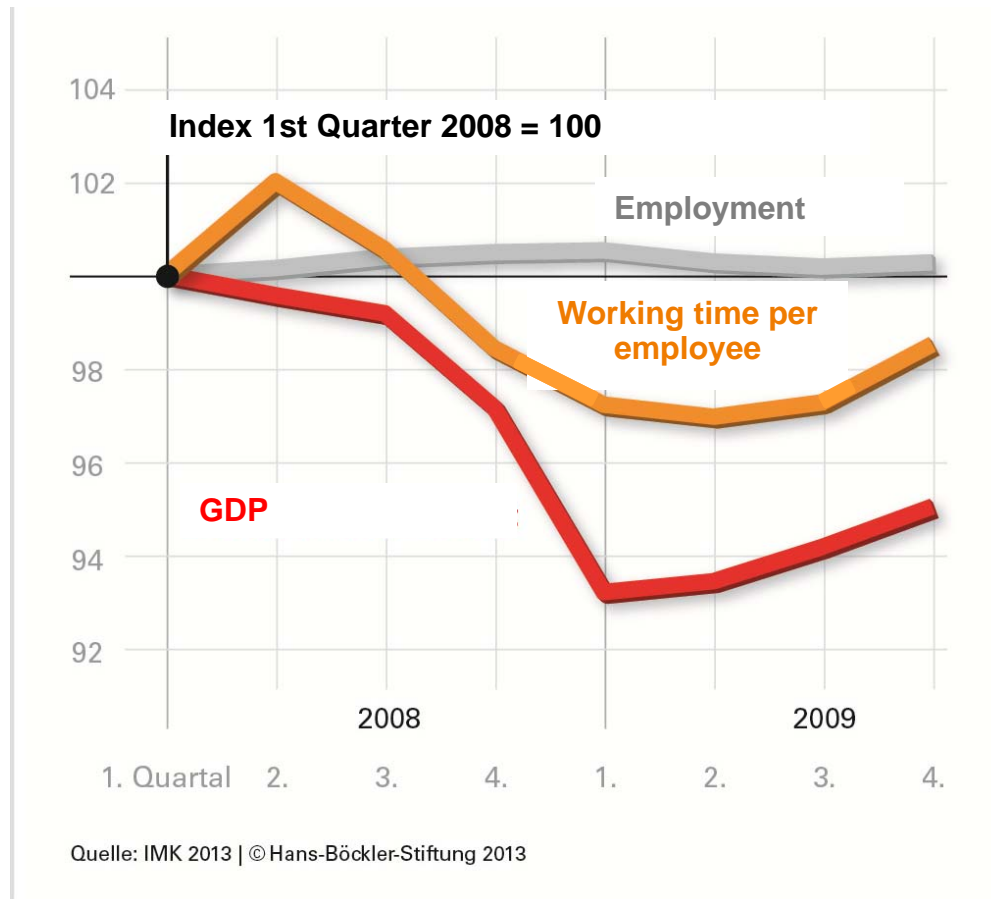


Source: Data from Rapp, Marc Steffen/ Wolff, Michael (2019): Mitbestimmung im Aufsichtsrat und ihre Auswirkung auf die Unternehmensführung, Study Nr. 424. Hans-Boeckler-Stiftung, Düsseldorf. Illustration based on Böckler Impuls 10/2019, S.4. German Graphic Download: [bit.do/impuls1573](https://bit.do/impuls1573)

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Companies with codetermination in the supervisory board performed 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.

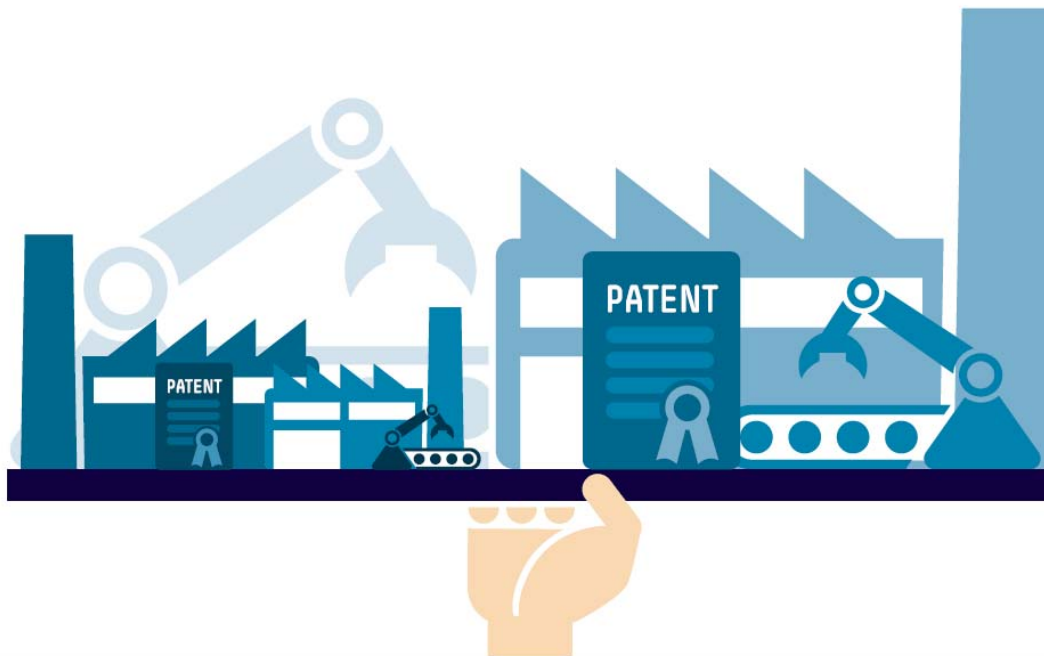
# More investments thanks to codetermination

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

**+ 30 to 50 %**

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

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# More productive with works councils

With a works council, productivity increases by ...



nach Dezilen geordnet; Quelle: Müller 2015 Grafik zum Download: [bit.do/impuls0044](https://bit.do/impuls0044)

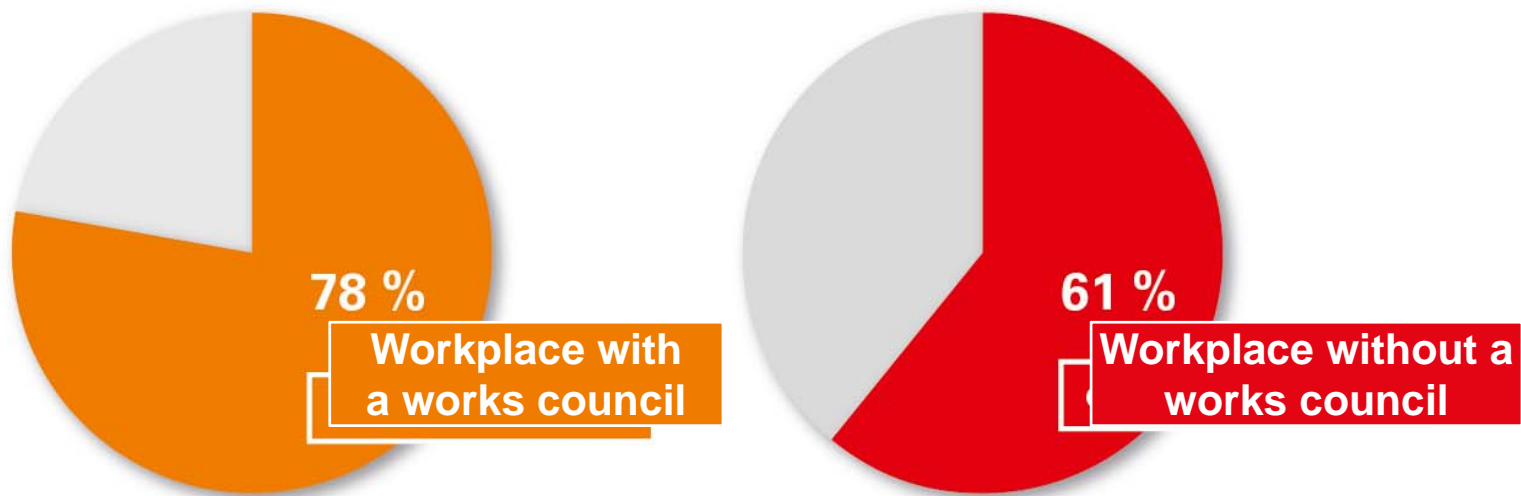
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Both highly productive and less powerful companies can use employee representatives to increase their output per employee.



## More innovative with works councils

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Quelle: Cantner u.a. 2014 | © Hans-Böckler-Stiftung 2014

Almost four-fifths of codetermined companies improved a product or adopted a different idea between 2008 and 2010.

# 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...



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

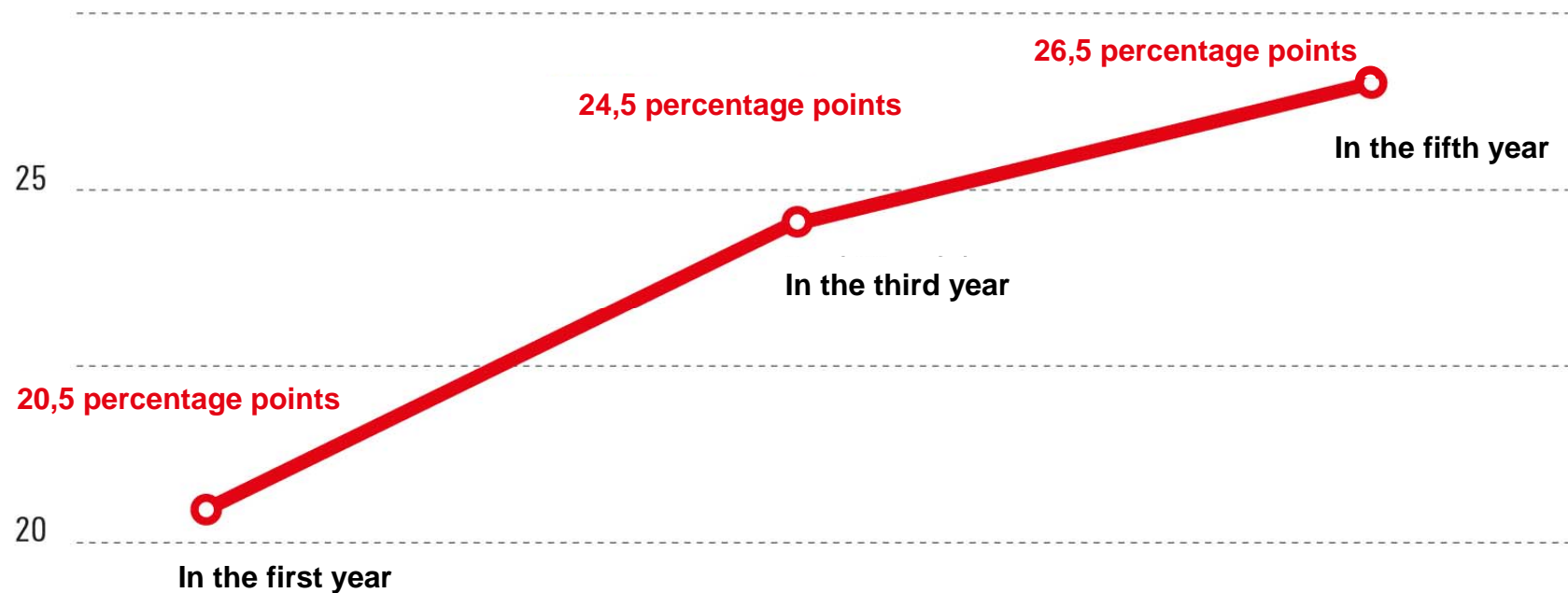
Quelle: Burdín, Pérotin 2016 Grafik zum Download: [bit.do/impuls0656](https://bit.do/impuls0656)

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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...



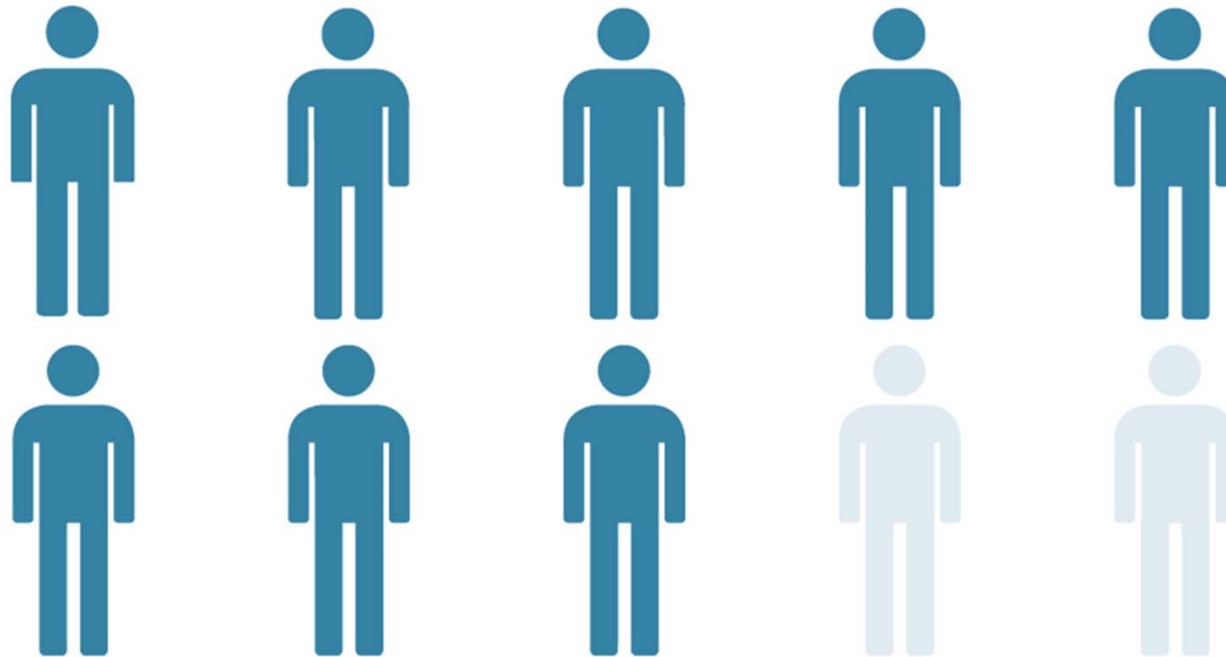
Companies with more than 5 employees

Quelle: Kriechel u. a. 2014 Grafik zum Download: [bit.do/impuls0045](https://bit.do/impuls0045)

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## An important level of democracy

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... 8 out of 10 employees voted.

The average participation rate in works council elections in 2018 was 75 per cent.  
(Trendreport Betriebsratswahlen 2018, <https://bit.ly/2r4xXmU>)

# Codetermination: a precondition for successful integration

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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.

[https://www.boeckler.de/pdf/p\\_mbf\\_report\\_2016\\_28.pdf](https://www.boeckler.de/pdf/p_mbf_report_2016_28.pdf)

e.g. IG Metall:

**24%** of its members  
in the workplace

**32%** of its  
works councilors

**37%** of its workplace  
union delegates

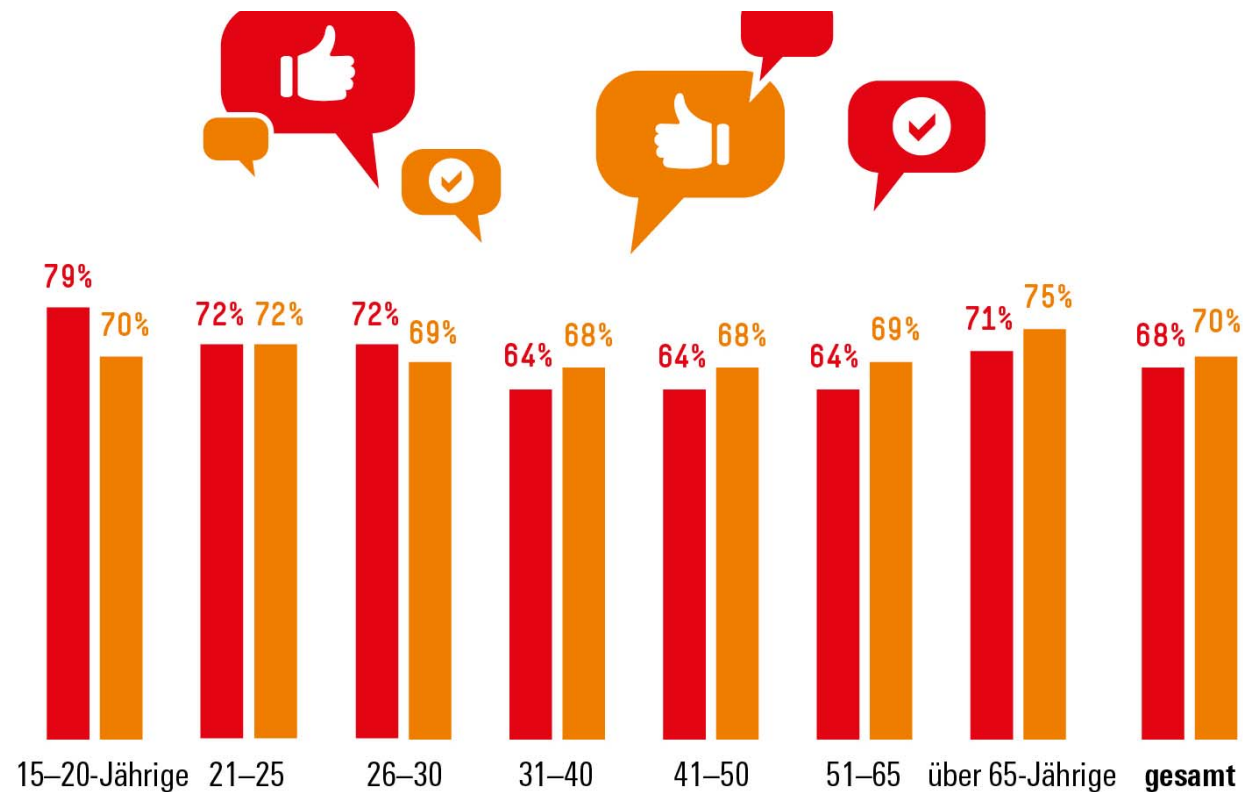
**11%** of its works council  
chairs

**... have a migration background.**

Source: direkt 4/2017

# Over all age groups codetermination is highly appreciated

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



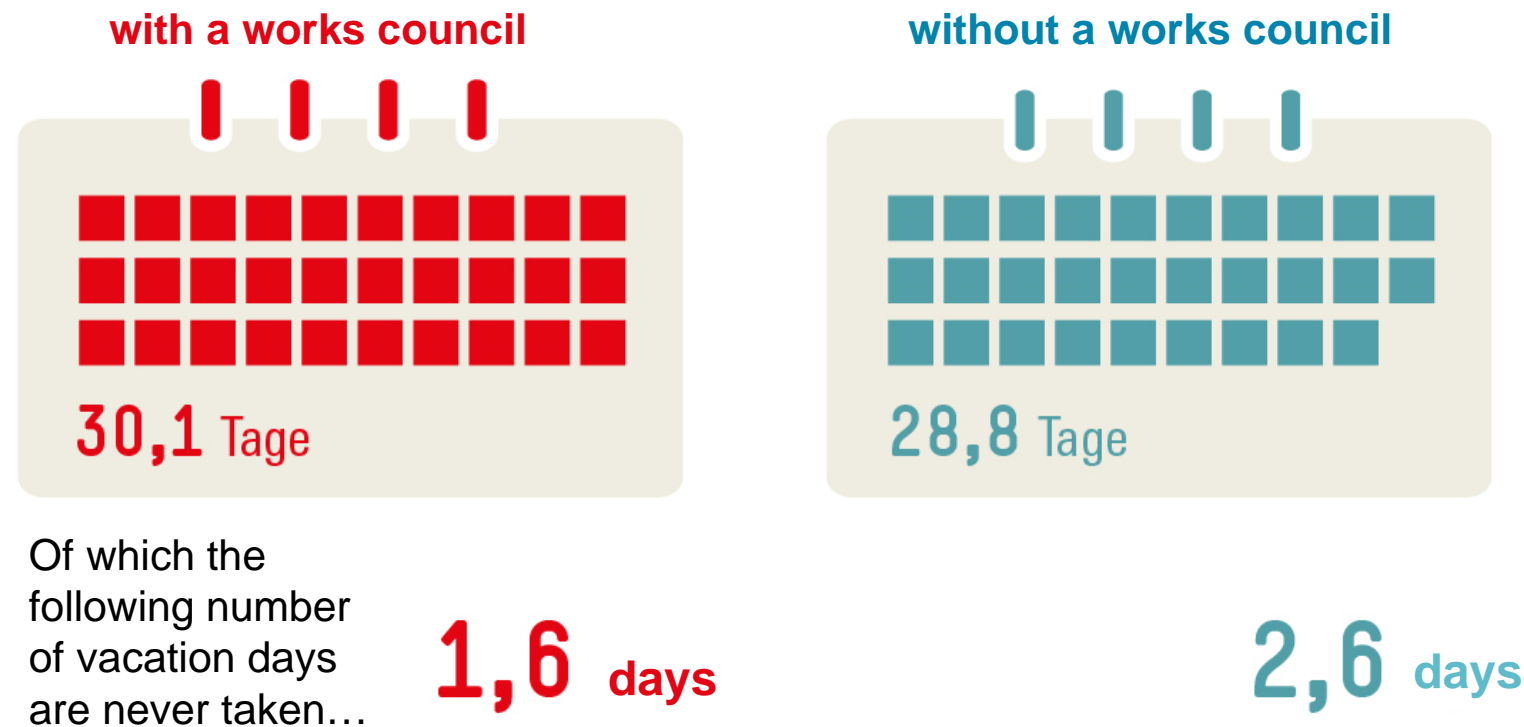
Quelle: Nienhüser 2016 Grafik zum Download: [bit.do/impuls0399](https://bit.do/impuls0399)

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# If there is a works council fewer vacation days are forfeited

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



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

Quelle: Goerke, Jeworrek 2016  
Grafik zum Download: [bit.do/impuls0380](https://bit.do/impuls0380)

# Codetermination educates

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## Training offers in companies

### Works council



### No works council



*never*

*often*

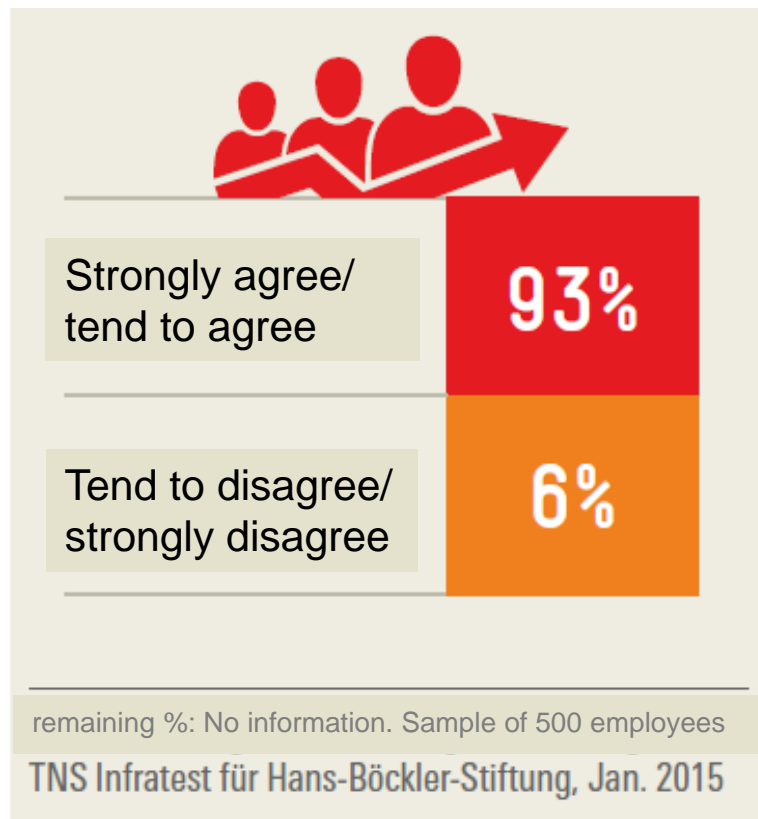
Quelle: Cantner u.a. 2014 | © Hans-Böckler-Stiftung 2014

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

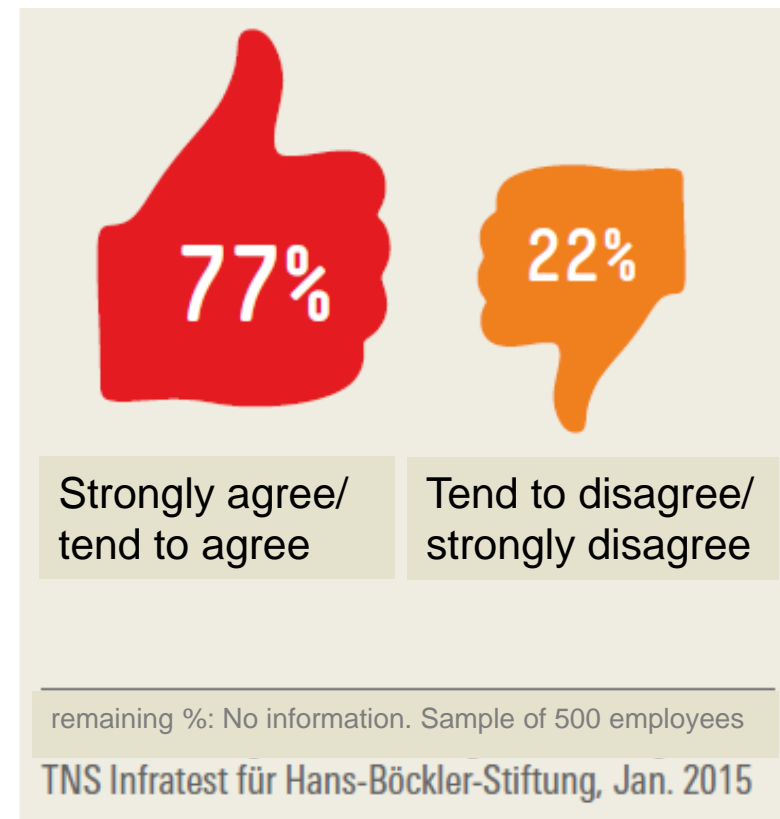


# Codetermination protects and motivates

“Codetermination boosts employees’ motivation”

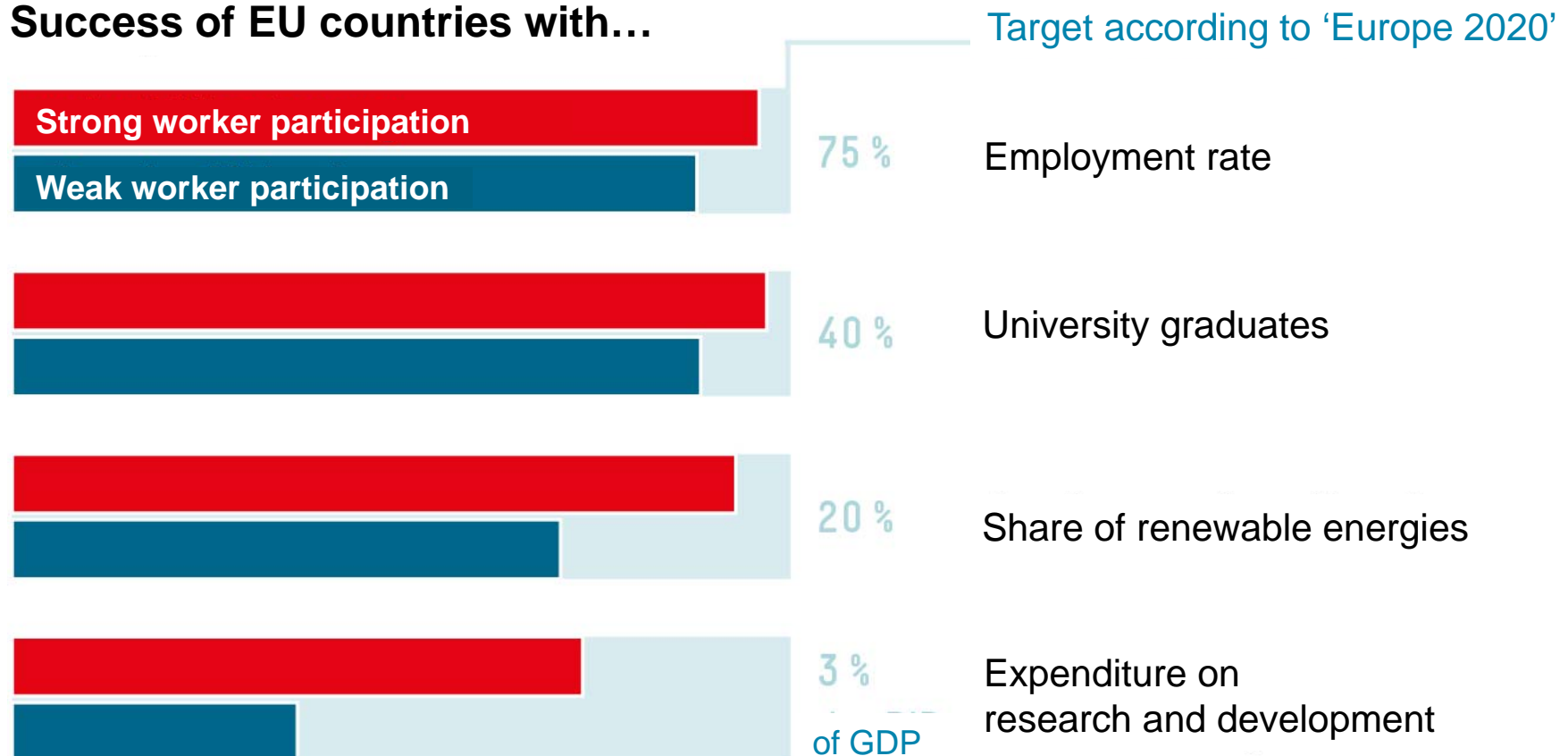


“Codetermination protects employees in times of crisis”



## Countries with strong participation rights have advanced further in implementing the Europe 2020 targets

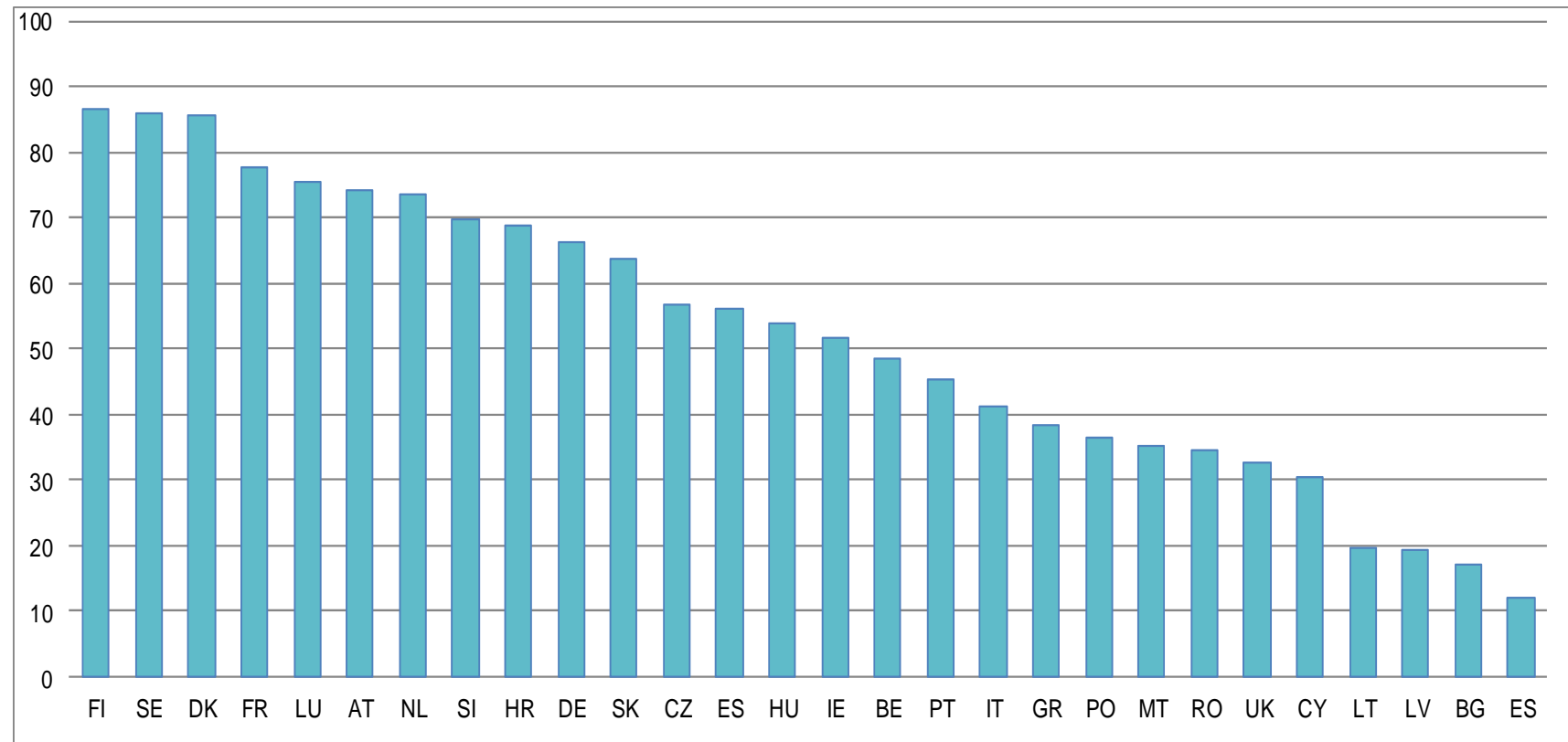
### Success of EU countries with...



Quelle: Vitols 2016 Grafik zum Download: [bit.do/impuls0300](https://bit.do/impuls0300) Daten [bit.do/impuls0301](https://bit.do/impuls0301)

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# European Participation Index (EPI) in 2013

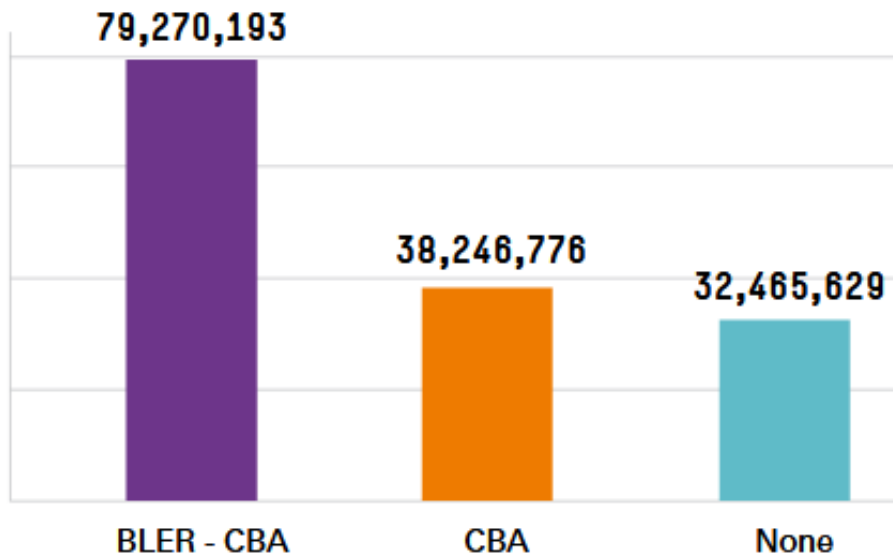


Source: Vitols (2017) ETUI, Benchmarking Working Europe 2017

# Higher market share, higher net sales

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**Net sales or revenues on average by BLER and CBA**  
(in US\$, 2014)



100 largest publicly-listed companies in Europe

Source: WV data set Hassel / Helmerich

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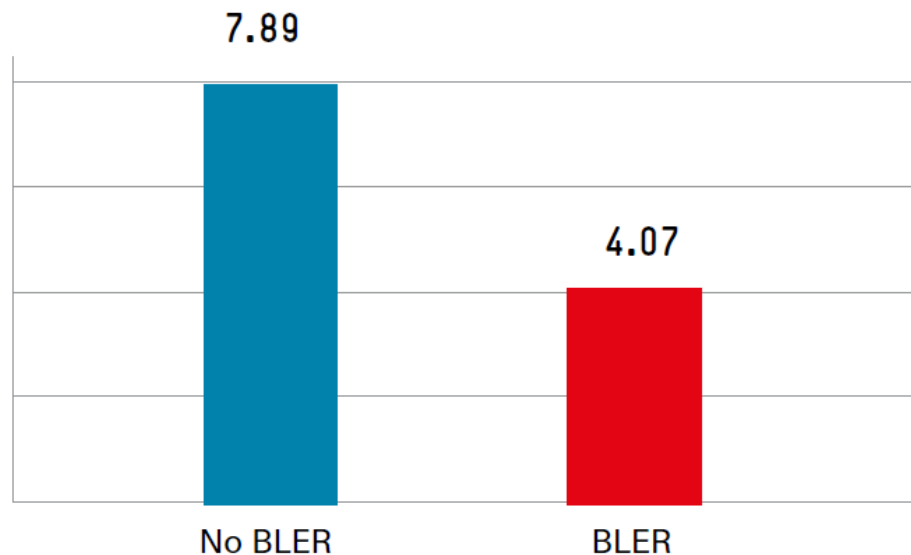
Companies with board-level employee representation (BLER) and collective bargaining agreements (CBA) have performed better than those without.

[https://www.boeckler.de/pdf/p\\_mbf\\_report\\_2017\\_31.pdf](https://www.boeckler.de/pdf/p_mbf_report_2017_31.pdf)

# Lower management remuneration

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



100 largest publicly-listed companies in Europe

Source: WV data set Hassel / Helmerich

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

[https://www.boeckler.de/pdf/p\\_mbf\\_report\\_2017\\_31.pdf](https://www.boeckler.de/pdf/p_mbf_report_2017_31.pdf)

## CODETERMINATION 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; 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.



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

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/scenarios](http://www.mitbestimmung.de/scenarios)