WHY CODETERMINATION?

A collection of good arguments for strong workers’ voice

Update: March 2022
Advantage codetermination

Codetermination demonstrably has many positive effects. Empirical studies show that codetermination, among other things, contributes to …

… strengthening democracy;
… helping companies come through the financial crisis and performing better after it;
… improving occupational health care;
… ensuring that companies are less likely to avoid taxes or use tricks to make their balance sheets look good;
… expanding further training;
…

We present these and other good arguments for strong worker participation in the following pages.
Strong arguments for strong worker participation!

All arguments are illustrated graphically at:

→ www.mitbestimmung.de/vorteil-mitbestimmung
Codetermination is the democratic design principle of the social market economy

Two sides of the coin:

<table>
<thead>
<tr>
<th>Social model: ‘Citizen in the workplace’</th>
<th>Competitive model: ‘Good corporate governance’</th>
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</thead>
<tbody>
<tr>
<td>Social security, democratic participation at the workplace and company level</td>
<td>‘Sustainable company’ environmentally, economically and socially sustainable</td>
</tr>
<tr>
<td>Free collective bargaining and trade unions</td>
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</tbody>
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Good arguments for strong workers’ voice – Hans-Böckler-Stiftung 2022
Worker participation is a basic European democratic right

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.’

Artikel 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.’

Artikel 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*
Codetermination in Germany: ‘Communicating vessels’

**Workplace:**
Works council

*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

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Good arguments for strong workers’ voice – Hans-Böckler-Stiftung 2022
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:**
Employers' associations and trade unions

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

The cooperation between the business and 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)*

Good arguments for strong workers’ voice – Hans-Böckler-Stiftung 2022
This guide is intended to help people unfamiliar with the German system of labour relations to understand one of its key aspects, the system of employee involvement known as ‘codetermination’.

Mitbestimmungspraxis Nr. 32 (2020):

Further compact information on industrial relations in Germany can also be found here:
www.worker-participation.eu
Where workers have a say in the EU

There is a right to codetermination at board level …

Is codetermination in the supervisory board exceptional to Germany?

No way! Workers have the right to elect or appoint some of the members of the supervisory or administrative board in 18 out of 27 EU member states.

Böckler Impuls (07/2021). Beschäftigte brauchen eine starke Stimme

Board-level representation (ETUI website)
Strong worker participation, strong democracy

The state of democracy and worker participation in …

The strength of political democracy and of codetermination in the economy go hand in hand.

A comparison of European countries confirms this.

Strong codetermination, fairer 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 board-level representation according to the “Codetermination Index”

Source: Hörisch 2012      German Graphic Download: bit.do/impuls0928      Data: bit.do/impuls0929
European Participation Index (EPI)

The EPI measures the **degree of democracy in the workplace** in EU countries. It takes into account collective agreement coverage, trade union density, the presence of workplace representation and codetermination rights at workplace and board levels.

Democracy doesn’t end at the factory gates

Workers attach great importance to representation of their interests over against the management.

The average participation rate in works council elections in 2018 was 76.4 per cent.

… 8 out of 10 employees voted.

Mitbestimmungsreport Nr. 60 (2020):
The **Mitbestimmungsindex** (Codetermination Index) measures how strongly codetermination is anchored in a company. The **MB-ix** was developed by the Berlin Social Science Center (WZB). It shows that codetermination in the supervisory board positively influences company performance.

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 that are more long-term and less stock market-oriented.

[www.mitbestimmung.de/mbix](http://www.mitbestimmung.de/mbix)
Strategically well-positioned

More successful with codetermination

Companies with stronger or weaker codetermination perform as follows in terms of…

- Return on assets: 4.58% vs. 2.76%
- Profit margin (EBITDA): 7.77% vs. 7.01%
- Cash flow per share: 4.95 Euro vs. 1.39 Euro

Source: Campagna u. a. 2020

Companies with more codetermination are more successful and are more likely to pursue an innovation- and research-oriented strategy than firms with weaker or no codetermination.


Böckler Impuls (09/2020). Nachhaltiger durch Mitbestimmung
Less window-dressing

More sustainable success with rigorous accounting

**Return on assets** at companies that resorted heavily/relatively little to flexible accounting …

Companies with strong codetermination tend not to practice tax avoidance. They are also less likely to resort to accounting manoeuvres, for example to present their economic situation as better than it really is.

Note: * ratio of profits to total assets. Source: Eularich, Fligga 2020

Böckler Impuls (13/2020). *Weniger Bilanzkosmetik durch Mitbestimmung*
Codetermination 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 u.a. 2019

German Graphic Download: bit.do/impuls1625


Böckler Impuls (02/2020). *Mehr Investitionen durch Mitbestimmung*.

Good arguments for strong workers’ voice – Hans-Böckler-Stiftung 2022
Companies without board-level employee representation (BLER) spent significantly more money on the highest remuneration packages than companies with BLER.

Mitbestimmungsreport Nr. 31 (2017): A. Hassel and N. Helmerich, Workers’ Voice in the 100 Largest European Companies.
**Net sales or revenues** on average by BLER and CBA (in US$, 2014)

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

Mitbestimmungsreport Nr. 31 (2017): A. Hassel and N. Helmerich, Workers’ Voice in the 100 Largest European Companies.
Who is responsible for personnel management

At Germany's 677 biggest companies* the following management board members are explicitly responsible for personnel …

A company that takes its employees’ concerns seriously needs an independent HR director. Best of all are companies with labour directors.

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* with codetermination and at least 2,000 employees
Source: Giertz 2021
Higher productivity

Firms with codetermination owe their higher level of success partly to their ability to attract better performing workers. But even apart from that, works councils substantially improve productivity, wages and profits.

Works councils at companies boost ... by ...

- Productivity: + 12.8%
- Wages: + 8.4%
- Profits: + 14%

Note: * taking control variables into account.
Source: Müller, Neuschäffer 2020

Böckler Impuls (01/2021).
Mehr Erfolg dank Mitbestimmung
Emerging better from the financial crisis

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

  - Similar European companies without codetermination: -21%
  - Companies with parity-based codetermination: +7.2%

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

  - With codetermination: -2.4%
  - Without codetermination: -7%

  - During the crisis (2008–2009)
  - After the crisis (2010–2013)
    - With codetermination: +2.1%
    - Without codetermination: -1.9%

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

  - With codetermination: +2.2%
  - Without codetermination: -0.2%

  - During the crisis (2008–2009)
  - After the crisis (2010–2013)
    - With codetermination: +3.3%
    - Without codetermination: -1.5%


Companies with codetermination in the supervisory board performed better economically in the financial crisis and in subsequent years.

Böckler Impuls (03/2021). Gemeinsam durch die Krise
Emerging better from the financial crisis

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.

Source: IMK 2013 | © Hans-Böckler Stiftung 2013

Böckler Impuls (13/2013)

Mitbestimmung sichert Beschäftigung
Covid-19 crisis – what works councils are doing

The Covid-19 crisis has caused considerable upheaval in our working lives. In our film four works councillors talk about their experiences since the first lockdown. They put a face on responsibility in the company.

www.zukunftmitbestimmung.de

On our ‘FOKUS > Corona’ page on the Mitbestimmungsportal we gather the latest information and materials, for example on supervisory board elections and company agreements (available in German language only).

Focus topic Covid-19 crisis
Codetermination in the supervisory board increases the likelihood that a company will credibly commit itself to complying with social or environmental goals.

Companies that make every effort to apply workers’ participation are more than twice as likely to include sustainability strategies in their corporate governance guidelines than firms without codetermination.

Böckler Impuls (02/2019). Mitbestimmung fördert CSR

Böckler Impuls (17/2016). Nachhaltig mit Mitbestimmung
More climate protection

A study by the University of Sydney shows that companies that involve their employees in decision-making do more to mitigate greenhouse gases.

Environmental efforts are particularly marked where several forms of participation converge and where bodies comprising representatives of management and staff are expressly tasked with tackling environmental issues. Trade unions also exert a strong influence.

Where employees are organised, participation and environmental commitment are more prevalent than average.

Böckler Impuls (19/2019). Mitbestimmung schützt das Klima
In many companies works councils are committed to **sustainable business**. That works best when there is a social partner-oriented **codetermination culture**.

**Works agreements on sustainability issues**, such as workplace environmental protection, occupational safety and health protection and certified training are essential to achieve lasting progress.

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**Study der HBS Nr. 452 (2021):**
Nachhaltigkeit durch Mitbestimmung.

**Böckler Impuls (09/2021):** Betriebsräte setzen sich für mehr Nachhaltigkeit ein
Codetermination is highly appreciated

Consensus reigns across all age groups: a substantial majority consider codetermination to be a good thing.

Source: Nienhüser 2016  German Graphic Download: bit.do/impuls0399

Böckler Impuls (01/2019). Mitbestimmung hat einen guten Ruf
Codetermination protects and motivates

“Codetermination boosts employees’ motivation.”

<table>
<thead>
<tr>
<th>Strongly agree/ tend to agree</th>
<th>Tend to disagree/ strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>93%</td>
<td>6%</td>
</tr>
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</table>

“Codetermination protects employees in times of crisis.”

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<tr>
<th>Strongly agree/ tend to agree</th>
<th>Tend to disagree/ strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>77%</td>
<td>22%</td>
</tr>
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</table>

In a survey by TNS Infratest, the majority of the respondents agreed:

Codetermination boosts employees’ motivation.

And: Codetermination protects employees in times of crisis.

Remaining %: No information. Sample of 500 employees; TNS Infratest for Hans-Böckler-Stiftung, Jan. 2015
More training, happier employees

Works councils improve **job satisfaction** because they provide for more **further training**.

**Training offers in companies …**

- **with a works council**
- **without a works council**

**In 2015 this proportion of companies provided …**

- further training in the workplace: 64.3%
- courses: 61.9%
- information events: 59.3%
- self-directed learning: 26.4%
- learning and quality improvement groups: 18.5%
- job rotation, exchange programmes: 9.9%

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

→ Mitbestimmungspraxis Nr. 40 (2021).
  S. Hinrichs. Qualifizierung im digitalen Wandel.

→ Böckler Impuls (10/2021).
  Mehr Weiterbildung durch Mitbestimmung

→ Böckler Impuls (12/2014).
  Mehr Wissen mit Betriebsrat

Source: Destatis 2018
More gender equality

Company codetermination can help to improve women’s occupational opportunities.

Where there is a works council, the probability increases that

- the workplace offers flexible working time arrangements for employees with care responsibilities by **13.9 percentage points**;
- employees are supported with information or further training during parental leave by **7.6 percentage points**;
- employees with relatives in need of care obtain support by **6.8 percentage points**;
- there are allowances for child care, a company creche or cooperation with daycare centres by **4 percentage points**.


Böckler Impuls (04/2021). Mehr Geschlechtergleichheit dank Mitbestimmung
Flexible and motivated

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

- **+ 22 %**
- **- 28 %**

Motivation problems

* Workplaces > 50 employees in UK, IR, PL, CY
Source: Burdin, Pérotin 2016

German Graphic Download: bit.do/impuls0656

Employee reps ensure that more firms offer **working time accounts**.

Böckler Impuls (03/2017). Kontrollierte Flexibilität bei der Arbeitszeit
**Assistance with working time organisation**

Reconciling work with family life depends strongly on the workplace environment. Only if employees pull together they can ensure better working time.

- Ultimately it doesn't much matter whether the company is large or small, in eastern or western Germany or in a sector dominated by men or women.
- Where employees have codetermination and collective agreements apply, **flexitime**, **home office**, **shorter weekly working time** or **better paid weekend work** are more widespread.
- Also **turnover** and **absenteeism** are generally **lower** among such employees.

*Good arguments for strong workers’ voice – Hans-Böckler-Stiftung 2022*
In our video series IN A NUTSHELL we show how works councils and trade unions meet the challenges of our time and how things are *in the workplace*, for example, in the case of current issues such as home office and mobile working, certified training and digitalisation or inclusion.

More information on company agreements are available on the page ‘Praxiswissen Betriebsvereinbarungen’.

[www.betriebsvereinbarung.de](http://www.betriebsvereinbarung.de)
More recreation

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 days</td>
<td>28,8 days</td>
</tr>
</tbody>
</table>

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

- **1,6** days  
- **2,6** days

Source: Goerke, Jeworrek 2016  
German Graphic Download: bit.do/impuls0380  

Works councils help workers to take full advantage of their **holiday entitlements**.

Böckler Impuls (09/2016).  
*Mit Betriebsrat verfallen weniger Urlaubstage*
Where there is a **works council** the likelihood* that a company will provide workplace health support is higher by ...
Modernisation in which workers have a say

Framework agreements concluded between worker representatives and management protect employees from the negative consequences of digitalisation.

Digital transformation processes accompanied by agreements can be designed in a socially equitable way and alleviate workers’ concerns.

- Böckler Impuls (15/2021). Modernisierung mit Mitsprache
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 invest more in their apprentices. That pays off, because graduates remain there longer.

Source: Kriechel u.a. 2014

German Graphic Download: bit.do/impuls0045
Codetermination boosts integration

Integration forging ahead

The employment rate of refugees coming to Germany since 2013 is ...

- After five years: 49%
- After four years: 42%
- After three years: 37%
- After two years: 17%
- In the first year: 3%

The integration of refugees is more successful with codetermination and collective agreements.

There are difficulties where collective bargaining coverage is sparse and works councils are lacking.

Note: * 18-64 year-olds, including trainees, interns and the marginally employed.
Source: IAB 2020
Codetermination boosts 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.

\[\text{e.g. IG Metall:}\]
- 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

Mitbestimmungsreport Nr. 28 (2016):
J.-P. Giertz, M. Maschke und N. Werner, Mitbestimmung als notwendige Bedingung für Integration.
European works councils (EWC) have been around for about 25 years now. With over **1,000 bodies** and around **20,000 workers’ representatives** they have developed into a vital element and driving force of European integration.

They provide an important forum and instrument for **cross-border cooperation** and workers’ **joint interest representation**.

The managers of international companies also take a **positive view** of their **cooperation** with European works councils.
Algorithms: a case for the works council!

Regulating handling of personal data
In company agreements this means, for example...

“Company management and the works council agree that employee data processing shall be permissible only when legal or regulatory provisions require it.”

“Performance data captured systematically may not be used in labour law procedures, either directly or indirectly.”

“Data processing shall in principle be carried out anonymously [...]. Except when this shall be permitted by special company agreement in individual cases.”

“Transmission of data to external parties [...] first requires scrutiny by the company data protection officer and the consent of the works council.”

Artificial intelligence is being introduced into offices and workshops. Algorithms are analysing working processes.

Company agreements can prevent this from being used for individual monitoring.

Source: Thielges 2020

Good arguments for strong workers’ voice – Hans-Böckler-Stiftung 2022
An orientation towards growth and increasing pressure to maintain competitiveness lead to the marketisation of employee representation; codetermination has to have a ‘pay off’. 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.
MITBESTIMMUNGSPORTAL
[Codetermination web platform]

- The platform for codetermination practioners
- Practical and orientational information – at a glance

(German language only)

www.mitbestimmung.de