

STRENGTHENING WORKERS' PARTICIPATION

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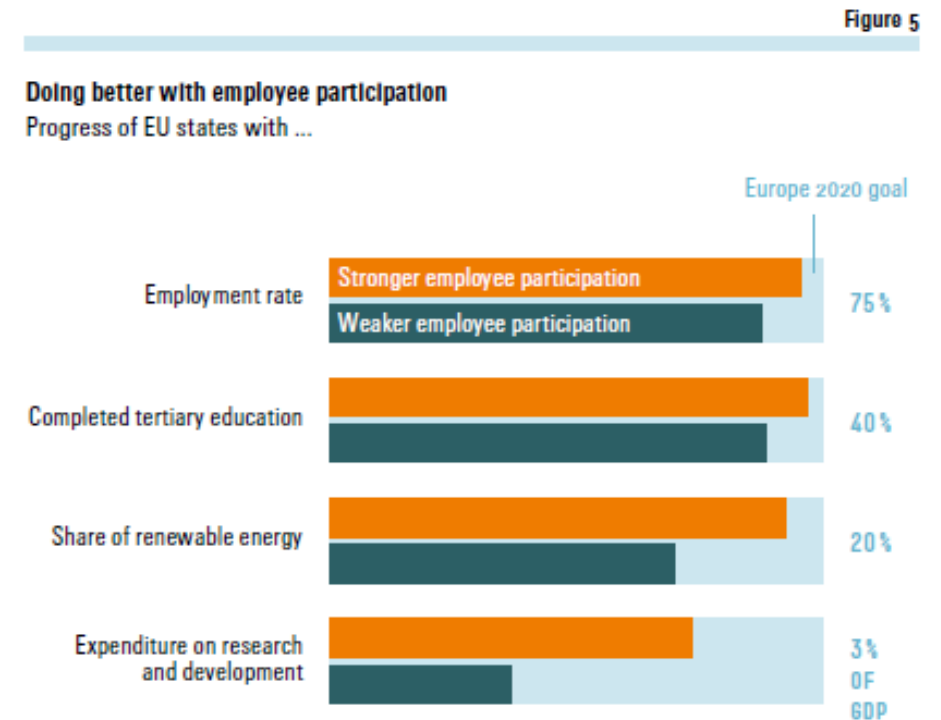
EMPL - "Democracy at work"

Strengthening Workers' Participation

1. Codetermination as important element of sustainable corporate governance
2. Circumvention of codetermination
3. Strengthening workers' participation on European level

Codetermination as important element of sustainable corporate governance

- Necessity to strengthen sustainable corporate governance
- Employee representation in supervisory boards as important element of sustainable corporate governance
- EU countries with higher levels of participation perform better in terms of employment rate, share of renewable energy etc.

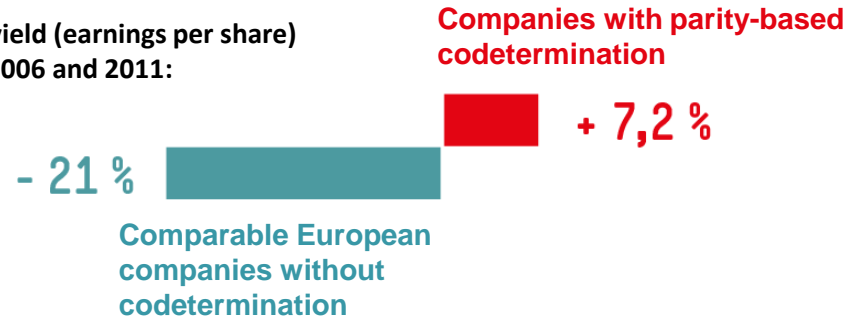


Source: Böckler Impuls 05/ 2016, own translation, <https://www.boeckler.de/de/boeckler-impuls-mitbestimmung-bringt-europa-voran-7355.htm>. Download graphic: bit.do/impuls0300. Download data: bit.do/impuls0301

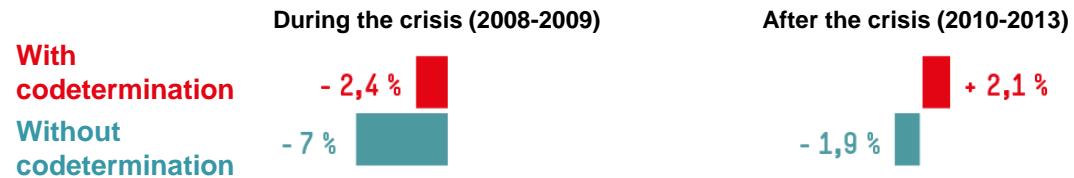
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Companies with codetermination perform better

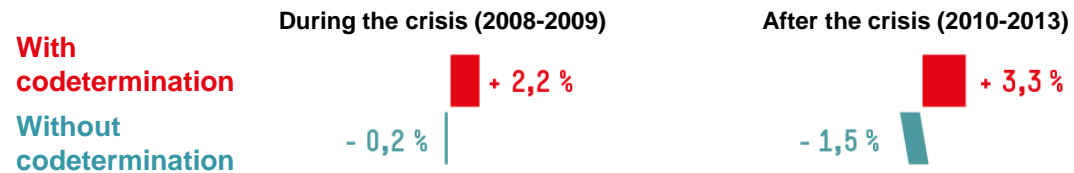
Change in yield (earnings per share) between 2006 and 2011:



Change in company employment compared with the period before the crisis:



Change in company investment compared with the period before the crisis:



Quelle: Rapp, Wolf 2019

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Codetermination is beneficial on company level

- Studies show that companies with codetermination performed better during the financial crisis (Rapp/Wolff 2019)
 - Codetermination made it possible to resume growth more more quickly
- Beyond that they recovered faster after the crisis
- Indicators in context with operational performance, employment, investment, financing as well as strategic dimension



There is a strong empirical indication that codetermination has overall positive economic and social effects which can be beneficial in future as well.

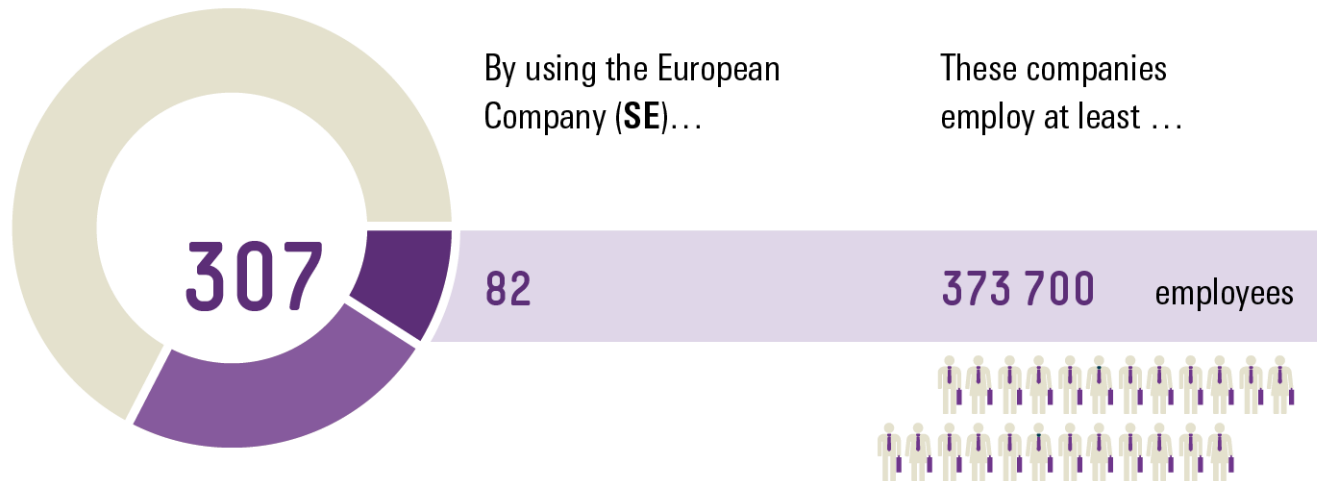
However, codetermination is under pressure

- Important element of the social market economy in Germany
- Information and consultation as part of the European Treaties
- 307 companies circumvent workers' participation on equal footing in Germany
- European law as a vehicle to avoid codetermination
- Slim protection of codetermination is often limited in time
- Only 1 of 5 SEs with more than 2,000 employees has a supervisory boards with codetermination
- Main problem with the SE: the level of codetermination is frozen
- New legal options due to the Company Law Package
 - Transposition into national law

Circumvention of codetermination

Circumvention of codetermination by the European Company (SE)

Number of companies circumventing (parity) codetermination...



Source: Sick 2020



Codetermination is circumvented by making use of European law. A growing number of companies with more than 2,000 employees and no parity codetermination is likely.

Strengthening Workers' Participation on European Level

- Workers' participation and codetermination needs to be strengthened on European level
- The current legal framework is unfit to protect and strengthen workers' participation as the numbers on circumvention of codetermination show
- Directive on information, consultation and participation would be a solution and an appropriate answer to many current shortcomings of European law
- This directive would be applicable to all European company forms and all companies making use of EU company law mobility instruments
- Negotiations on a European body of workers' representation regarding information and consultation

Strengthening Workers' Participation on European Level

- First of all, obligation to start negotiations with the workforce
- An escalator approach towards workers' participation should be introduced on European level to establish a dynamic element with minimum standards on workers' participation in supervisory boards
 - Small companies (50-250 employees): 2 or 3 workers' representatives
 - Medium sized companies (250 to 1,000 employees): 1/3 of at least nine board members are workers' representatives
 - Large companies (250 to 1,000 employees) parity participation
 - New negotiations after reaching a higher threshold



In order to engage in a successful transformation workers' participation should be put on the agenda. A directive on information, consultation and participation would be the right approach.

THANK YOU!

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