Co-Determination and Forward Looking Corporate Governance

Sigurt Vitols, Ph.D.
Berlin Social Science Center

What Does Co-Determination Do?
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Measuring Workers' Strength and Influence with a Co-Determination Index (MB-ix)
Challenges for Co-Determination Research

- Differentiated measures of worker voice/power
- Broader range of dependent variables
- Long-term observation
- Comparative perspective
- Mixed methods
- Communicating results to a non-specialist audience
The MB-ix Project in Brief

— Six-component index of worker influence (MB-ix)
— MB-ix calculated for ca. 300 companies between 2006–2017
— Focus on relationship with sustainable company practices
  · Elements of “good work”
  · Sustainability-oriented management remuneration
  · Long-term investments
  · CSR/Sustainability practices
  · Ownership structures
— Financed by the Hans Böckler Foundation
— Cooperation with the Visual Society Program (WZB-UdK)
01 Methodology
01 Methodology
co-determination index

01 Methodology
The Six Components

1. Supervisory Board Composition
2. Supervisory Board Internal Structure
3. Supervisory Board Committees
4. Internationalisation
5. Supervisory Board Influence
6. Personnel Director

All components are summarized in one metric.
02 Results
02 Results
Co-Determination Defies the Financial Crisis


![Graph showing parity and one-third co-determined companies over the years from 2006 to 2015.]
02 Results
A Comparison of MB-ix Average Scores

**BY TYPE OF CO-DETERMINATION**
- 85 Parity co-determination
- 44 One-third co-determination
- 0 Companies without co-determination
- 76 All co-determined companies
- 53 All companies in the sample

**BY STOCK MARKET INDEX**
- 81 DAX – big firms
- 60 MDAX – medium sized firms
- 28 SDAX – small firms
- 27 TecDAX – high tech companies

**BY SECTOR**
- 78 Industry, construction, agriculture
- 91 Logistics, energy, telecommunications
- 72 Wholesale and retail
- 65 Banks, finance, insurance
- 58 Services
- 70 Health, education, social
02 Results
Employee Representation Becomes International

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of Companies with European or SE</th>
<th>Share of Companies with Foreign Employee Representatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>31%</td>
<td>2%</td>
</tr>
<tr>
<td>2009</td>
<td>37%</td>
<td>6%</td>
</tr>
<tr>
<td>2012</td>
<td>40%</td>
<td>7%</td>
</tr>
<tr>
<td>2015</td>
<td>44%</td>
<td>9%</td>
</tr>
</tbody>
</table>
02 Results
Employee Representatives

- 49% Internal (works council)
- 25% Trade Unionist (full-time)
- 11% Executives
- 11% International (not in a works council or from a trade union)
- 1% International (in a works council or from a trade union)
- 2% Trade unionist (not full-time)
- 1% Trade unionist (not full-time)
02 Results
Co-Determination Promotes Independent Personnel Policy and Good Work

- Companies without co-determination
- Parity co-determined companies
- Companies with independent (from CEO and CFO) personnel directors in the Board of Executives

02 Results
Vocational Education

02 Results

Sustainability is Better Integrated in Corporate Governance at Strongly Co-Determined Companies

- Does the company integrate sustainability in its daily decisionmaking? 82%
- Does the company belong to a sustainability index? 50%
- Does the company publish a sustainability report? 25%
- Does the company explain how it engages with stakeholders? 47%
- Is executive remuneration linked in part to sustainability goals? 16%

MB-ix = 100
MB-ix = 0

02 Results
Co-Determination a Brake to Innovation?
Not a Trace!

1.000
global companies with the highest
R&D expenditures

42
are based in Germany

40
are co-determined, of these 36 parity
and 4 one-third co-determined

For comparison:
All co-determined companies
listed in DAX, MDAX, SDAX
and TecDAX have an average
score of 76 points.

84
MB-ix points achieve
these companies

02 Results

Co-Determination is More Necessary Than Ever!

[Diagram showing network of investors, with labels for German Investors and Foreign Investors.]

02 Results

Co-Determination is Spatially Unevenly Distributed in Germany

Scholz (2018): “Neuer Index macht die Mitbestimmung von Arbeitnehmern in Unternehmen erstmals vergleichbar”.
Thank you!

To find out more, go to www.mitbestimmung.de/mbix

Responsible for the content:
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Progression: yella park