

Giving employees a say: unique German labour law turns 30

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Three decades ago, German employees saw their influence at work greatly increased. A "co-determination" law went into effect putting workers representatives in the boardroom.

Back in 1966, a newspaper called the "Industry Courier," which represented West German business interests, called the democratization of business as nonsensical as the democratization of schools. It was representative of industry's attitude toward giving employers a bigger voice in the running of companies.

But 10 years later, that newspaper's feared scenario came to pass. "Co-determination," or *Mitbestimmung* in German, became a reality in the executive suite. Parliament voted in 1976 to extend co-determination beyond the mining, coal and steel industries, where it had been in place since 1951.

The German form of co-determination is unique. While some other countries do have forms of it, such as the Netherlands, France and Sweden, no other country in the world has completely adopted its rather complicated system, which comes in two forms.

In companies with more than five employees, a works council can be established or workers' representatives elected which have a voice in issues such as health and safety on the job, layoffs, salaries or overtime. In companies with over 2,000 employees, the 1976 law calls for employees' representatives to be given seats on supervisory boards.

In this board co-determination form, one-third of supervisory board seats are held by workers' representatives. At larger companies, that number can be up to one-half. Still, in these cases, called "co-determination on the basis of equal representation," board members on the employer side often have double voting rights or it is the board president who has the deciding vote.

Many companies are critical of the system, saying its costs pull resources away from other integral business functions. But others say workers' council co-determination has contributed to a high level of relative "peace" on the German factory floor or the office, keeping down the number of strikes.

"I think that co-determination has made change possible, especially as companies go through restructuring process," said Reinhard Göhner, director of the BDA employers' association. "That is why we are in favour of keeping the works council co-determination model. The question is how we can adapt our co-determination system in an international climate, so we are no longer completely isolated."

Unions in general are no longer against modernizing co-determination rules. They know that the increasing globalization of business requires that the system be adjusted to meet new business realities.

On the 30th anniversary, German Chancellor Angela Merkel has called for the system to be modernized and made more flexible. She said the co-determination law should be harmonized with existing EU domestic market rules.