



Programme



IAAEU

Institute for Labour Law
and Industrial Relations
in the European Union

Workshop on Co-Determination

Institute for Labour Law and Industrial Relations in the European Union | Trier University

Workshop on Co-Determination

11th December, 2020

Institute for Labour Law and Industrial Relations in
the European Union (IAAEU)
Trier University, Campus II
Behringstraße 21
54296 Trier

Welcome to the Institute for Labour Law and Industrial Relations in the European Union

The Institute for Labour Law and Industrial Relations in the European Union (IAAEU) was established as a public foundation in 1983 and is funded by the state government of Rhineland-Palatinate. While being a public foundation, the IAAEU is also a research institute of Trier University and is situated in the heart of the Petrisberg Technology Park on Campus II. The IAAEU comprises two working groups of which one engages in research in the area of European labour law (Legal Team) and one engages in the theoretical and empirical analysis of personnel and labour economic issues (Economics Team). Depending on the research questions and the available data the economists rely on experimental data drawn from the experiments conducted in the institute's laboratory or on survey and corporate data. Since January 2012 Laszlo Goerke is one of the directors of the IAAEU and head of the Chair of Personnel Economics at Trier University. He is also a research fellow of the Institute of Labor Economics (IZA) and the CESifo Group Munich.

For detailed information have a look at our website: <https://www.iaaeu.de/en>

Registration

To register for the workshop, please use the following form:

[Workshop on Co-Determination \(December 11th, 2020\) \(google.com\)](#)

You will receive a confirmation email once your registration is noted.

The workshop will take place online via Zoom software. Information on how to log in will be sent around one day before the workshop.

Please refer to page 8 for more organizational information.

Schedule – Workshop on Co-Determination

Friday, December 11th 2020

09:15 – 09:30	Welcome and Opening
09:30 – 10:50	Session I
10:50 – 11:20	General Discussion + Short Break
11:20 – 12:40	Session II
12:40 – 13:50	General Discussion + Lunch Break
13:50 – 15:30	Session III
15:30 – 16:00	General Discussion + Short Break
16:00 – 17:20	Session IV
17:20 – 17:30	General Discussion + Farewell

Programme

09:15 – 09:30 **Welcome and Opening**

09:30 – 10:50 **SESSION I:** *(SESSION CHAIR: LASZLO GOERKE)*

Gabriel Schultze: “Overtime, Works Councils and Collective Bargaining Agreements”

Uwe Jirjahn: “Works Councils and Workplace Health Promotion in Germany”
(Co-authored by Jens Mohrenweiser & Stephen C. Smith)

10:50 – 11:20 **General Discussion + Short Break**

11:20 – 12:40 **SESSION II:** *(SESSION CHAIR: BORIS HIRSCH)*

Georg Neuschäffer: “Worker Participation in Decision-making, Worker Sorting, and Firm Performance”
(Co-authored by Steffen Müller)

Markus Pannenberg: “Does it Pay to Be a Works Councillor? Evidence from Germany”
(Co-authored by Laszlo Goerke)

12:40 – 13:50 **General Discussion + Lunch Break**

Programme

- 13:50 – 15:30** **SESSION III:** *(SESSION CHAIR: LASZLO GOERKE)*
- John T. Addison (Keynote):** “Works Council Disaffection and Establishment Survivability”
(Co-authored by Paulino Teixeira, Philipp Grunau & Lutz Bellmann)
- Alexander Lammers:** “Social Exchange and Dynamic Effects of Voluntary Employee Representation”
(Co-authored by Kornelius Kraft)
- 15:30 – 16:00** **General Discussion + Short Break**
- 16:00 – 17:20** **SESSION IV:** *(SESSION CHAIR: GABRIEL SCHULTZE)*
- Arnd Kölling:** “Owners, External Managers, and Industrial Relations in German Establishments”
(Co-authored by Claus Schnabel)
- Boris Hirsch:** “Organised Labour, Labour Market Imperfections, and Employer Wage Premia”
(Co-authored by Sabien Dobbelaere, Steffen Müller & Georg Neuschäffer)
- 17:20 – 17:30** **General Discussion + Farewell**

Organizational Information

Instructions for Presenters:

We scheduled 40 minutes for each paper:

- 30 minutes for your presentation and 10 minutes for questions.

The workshop will take place online via Zoom Software.

In case of unforeseen technical problems, our IT team is available during the workshop:

Email: edv@iaaeu.de

Tel.: +49 (0) 651 / 201 4747

Abstracts

Session I:

Gabriel Schultze: “Overtime, Works Councils and Collective Bargaining Agreements”

Previous studies using SOEP data, show a negative effect of works councils on overtime hours, especially if the contractual working time is 40 hours. In addition to co-determination through works councils at the firm level, collective bargaining coverage is an important factor in the German industrial relations system. Corresponding data was not available in the SOEP before 2015. Therefore, we use the 2016 SOEP wave, which also contains information on collective bargaining coverage. We then carry out a cross-sectional analysis, in order to analyze the effects of works councils in firms with and without collective bargaining agreements. Similar to studies analyzing other outcome variables, the results show that the effect of works councils is only prevalent in firms, which are covered by a collective bargaining agreement.

Uwe Jirjahn, Jens Mohrenweiser, Stephen C. Smith: “Works Councils and Workplace Health Promotion in Germany”

From a theoretical viewpoint, there can be market failures and organizational failures resulting in an underprovision of occupational health and safety. Works councils may help mitigate these failures. Using establishment data from Germany, our empirical analysis confirms that the incidence of a works council is significantly associated with an increased likelihood that the establishment provides more workplace health promotion than required by law. This result also holds in a recursive bivariate probit regression accounting for the possible endogeneity of works council incidence. Furthermore, analyzing potentially moderating factors such as collective bargaining coverage, industry, type of ownership, multi-establishment status and product market competition, we find a positive association between works councils and workplace health promotion for the various types of establishments examined. Finally, we go beyond the mere incidence of workplace health promotion and show that works councils are positively associated with a series of different measures of workplace health promotion.

Abstracts

Session II:

Steffen Müller, Georg Neuschäffer: “Worker Participation in Decision-making. Worker Sorting, and Firm Performance”

Worker participation in decision-making is often associated with high-wage and high-productivity firm strategies. Using linked-employer-employee data for Germany and worker fixed effects from a two-way fixed effects model of wages capturing observed and unobserved worker quality, we find that establishments with formal worker participation via works councils indeed employ higher-quality workers. We show that worker quality is already higher in plants before council introduction and further increases after the introduction. Importantly, we corroborate previous studies by showing positive productivity and profitability effects even after taking into account worker sorting.

Laszlo Goerke, Markus Pannenberg: “Does it Pay to Be a Works Councillor? Evidence from Germany”

The German law on co-determination at the plant level (Betriebsverfassungsgesetz) stipulates that works councilors are neither financially rewarded for their activities nor penalized. This regulation contrasts with publicized instances of excessive payments to works councilors. The divergence has sparked an academic debate about the need to reform the law. In this paper, we provide representative evidence on wage payments to works councilors for the period 2001 to 2015. We find wage premia for works councilors of 3% to 6% in OLS specifications. They are more pronounced for part-time and blue-collar workers, in manufacturing and for long-term works councilors but not for those released from work. Moreover, we find no wage premia in linear fixed-effects panel data specifications, suggesting that the OLS-wage-premia are due to selection into works councillorship. We also obtain no evidence for delayed compensation for works councillorship. Finally, member of the staff council in the public sector are not paid differently than comparable non-members. Hence, our results indicate that payments of works councilors are broadly in line with the existing legal regulations.

Abstracts

Session III:

John T. Addison, Paulino Teixeira, Phillip Grunau, Lutz Bellmann: “Works Council Disaffection and Establishment Survivability”

This paper investigates the association between works council heterogeneity and plant closings in Germany, 2006-2015. Two datasets are used to identify failed establishments, while institutional heterogeneity is captured by management perceptions of works council disaffection, or dissonance, and by making provision for works council learning. The potential moderating role of sectoral collective bargaining coverage is also examined. Contrary to earlier research, works councils per se are not associated with plant closure. Rather, it is establishments with dissonant councils that display higher rates of closure, although this association does not obtain where such establishments are covered by sectoral agreements. This latter finding is consistent with the literature on the mitigation of rent-seeking behavior, as is the suggestive result that establishments with dissonant works councils are associated with a distinctly higher probability of transitioning into sectoral bargaining coverage than their counterparts with more consensual councils. That said, the temporal association between dissonance and closings provides only limited evidence of works council learning.

Kornelius Kraft, Alexander Lammers: “Social Exchange and Dynamic Effects of Voluntary Employee Representation”

In this paper we study the voluntary implementation of employee representation such as round tables or staff spokespersons as a non-monetary gift. Drawing on the social exchange theory, we consider the voluntary provision of voice as a sign of trust from the management and an interest in a mutual relationship. A simple model is derived which relates the concept of reciprocity to workers' utility and effort. We provide empirical evidence by using representative German establishment level data on the relationship between voluntary employee representation and productivity. The panel structure allows us to follow establishments over time and measure which establishments introduce such workplace practices and which not. Using a dynamic difference-in-differences approach, we estimate introduction as well as dynamic effects over time. Potential selection effects are taken into account using an inverse-probability weighting approach. We provide evidence of a significant and time persistent impact of voluntary involvement measures and establishment productivity. In particular our results show that the association between productivity and voluntary involvement does not arise in the introduction period but rather in the long run after two to five years.

Abstracts

Session IV:

Arnd Kölling, Claus Schnabel: “Owners, External Managers, and Industrial Relations in German Establishments”

Using data from the representative IAB Establishment Panel in Germany and estimating a panel probit model with fixed effects, this paper finds a negative relationship between the existence of owner-management in an establishment and the probabilities of having a works council or a collective bargaining agreement. We show that family firms which are solely, partially or not managed by the owners significantly differ in the presence of works councils and collective bargaining agreements. The probabilities of having works councils and collective agreements increase substantially if just some of the managers do not belong to the owner family. We argue that these differences cannot simply be attributed to an aversion of the owners against co-determination and unions but require taking account of the notion of socio-emotional wealth prevalent in family firms. In addition, our results support the idea that external managers mainly act as agents rather than stewards in family firms.

Sabien Dobbelaere, Boris Hirsch, Steffen Müller, Georg Neuschäffer: “Organised Labour, Labour Market Imperfections, and Employer Wage Premia”

This paper examines how collective bargaining through unions and workplace codetermination through works councils shape labour market imperfections and how labour market imperfections matter for employer wage premia. Based on representative German plant data for the years 1999-2016, we document that labour market imperfections are the norm rather than the exception. Wage mark-downs, that is wages below the marginal revenue product of labour rooted in employers’ monopsony power, are the most prevalent outcome. We further find that both types of organised labour are accompanied by a smaller prevalence and intensity of wage mark-downs whereas the opposite holds for wage mark-ups, that is wages above the marginal revenue product of labour rooted in workers’ monopoly power. Finally, we document a close link between our production-based labour market imperfection measures and employer wage premia. The prevalence and intensity of wage mark-downs are associated with a smaller level and larger dispersion of premia whereas wage mark-ups are only accompanied by a higher premium level.

Participants

Last Name	First Name	Affiliation
Addison	John T.	University of South Carolina
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Feld	Jonas	IAAEU Trier & Trier University
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Hirsch	Boris	Leuphana University
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Huang	Yue	IAAEU Trier & Trier University
Jirjahn	Uwe	Trier University
Kölling	Arnd	HWR Berlin
Lammers	Alexander	TU Dortmund
Mohrenweiser	Jens	Bournemouth University
Neuschäffer	Georg	IWH Halle
Palermo	Alberto	IAAEU Trier
Pannenberg	Markus	FH Bielefeld
Paulus	Nora	IAAEU Trier & Trier University

Participants

Last Name	First Name	Affiliation
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Schnabel	Claus	University of Erlangen–Nuremberg
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