



IAAEU

Institute for Labour Law
and Industrial Relations
in the European Union

Universität Trier

**UNIVERSITY OF TRIER
INSTITUTE FOR LABOUR LAW AND INDUSTRIAL RELATIONS
IN THE EUROPEAN UNION**

WORKSHOP ON CO-DETERMINATION

28-29 November 2014
IAAEU TRIER





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Schedule

Friday, November 28, 2014

08:30 – 09:05	Registration
09:05 – 09:15	Welcome
09:15 – 12:45	Sessions 1 & 2
12:45 – 13:45	Lunch
13:45 – 16:00	Session 3
16:00 – 19:00	Guided City Tour
20:00	Conference Dinner

Saturday, November 29, 2014

09:30 – 13:00	Sessions 4 & 5
13:00 – 14:00	Farewell Lunch

All sessions will take place in the H building of the University of Trier (Campus II) in room H714.



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Programme

Friday, November 28, 2014

08:30 – 09:05

Registration

09:05 – 09:15

Welcome

09:15 – 10:45

Principal-Agent-Communication; Chair: Marco de Pinto

Marco Kleine

„Communication and Trust in Principal-Team Relationships:
Experimental Evidence”

Andrzej Baranski

“Individual Contributions and Collective Redistribution”

10:45 – 11:15

Coffee Break

11:15 – 12:45

Co-determination in Germany; Chair: Daniel Arnold

Sigurt Vitols

„Co-determination and Sustainability since the Financial Crisis”

Katharina Dyballa

“To what extent do co-determined companies influence different
components of executive compensation? – An empirical analysis for
listed companies in Germany”

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12:45 – 13:45

Lunch

13:45 – 16:00

Participation in Wage Setting; Chair: Adrian Chadi

Jörg Franke

“Workers’ Participation in Wage Setting and Opportunistic Behavior: Evidence from a Gift-Exchange Experiment”

Holger Rau

“The Impact of Unionism and Minimum Wages on Worker Productivity: An Experimental Analysis”

Sabrina Jeworrek

„When Pay Increases are Not Enough: The Economic Value of Wage Delegation in the Field”

16:00 – 19:00

Guided City Tour

20:00

Conference Dinner



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Saturday, November 29, 2014

09:30 – 11:00

Voice at the Workplace; Chair: Mario Mechtel

Guillermo Alves

“Workplace Democracy and Job Flows”

Sebastian Schaube

“Peer Evaluation and Compensation Schemes in a Real Effort Experiment”

11:00 – 11:30

Coffee Break

11:30 – 13:00

Works Councils and Trade Unions; Chair: Lars Hornuf

Adrian Chadi

“Job Insecurity as a Reason to Belong to a Trade Union”

Jan Drahokoupil, Romuald Jagodzinski

„Social Agency within Multinational Corporations: Assessing the Impact of European Works Councils“

13:00 – 14:00

Farewell Lunch

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Organisational Information

Lunch and Conference Dinner

Lunch on Friday will take place at the Petrisberg cafeteria. The Conference Dinner on Friday evening will take place in the restaurant "Becker's Weinhaus", Trier/Olewig. After the lectures on Saturday, there will be a sandwich bar at the workshop venue.

Accommodation

BECKER'S Hotel und Restaurant

Olewiger Straße 206

54295 Trier

Phone: +49 651 93808-0

Fax: +49 651 93808-88

Directions

The lectures will take place on Campus II of the University of Trier in building H (Behringstr.).

From downtown Trier, the following bus to the workshop venue is recommended:

Bus 4 towards Irsch Hockweiler Str. (from the main station bus platform 4 or from the Porta Nigra bus platform 1) to the University Campus II, travel time from the Porta Nigra: about 20 min., from the main station: about 15 min.

Shuttle Service

There will be a complimentary shuttle service:

- Friday at 8:30 from the Hotel Becker's to the University
- Friday at 16:00 from the University to downtown Trier (guided city tour)
- Friday at 19:00 from downtown Trier to the Hotel Becker's
- Saturday at 9:00 from the Hotel Becker's to the University

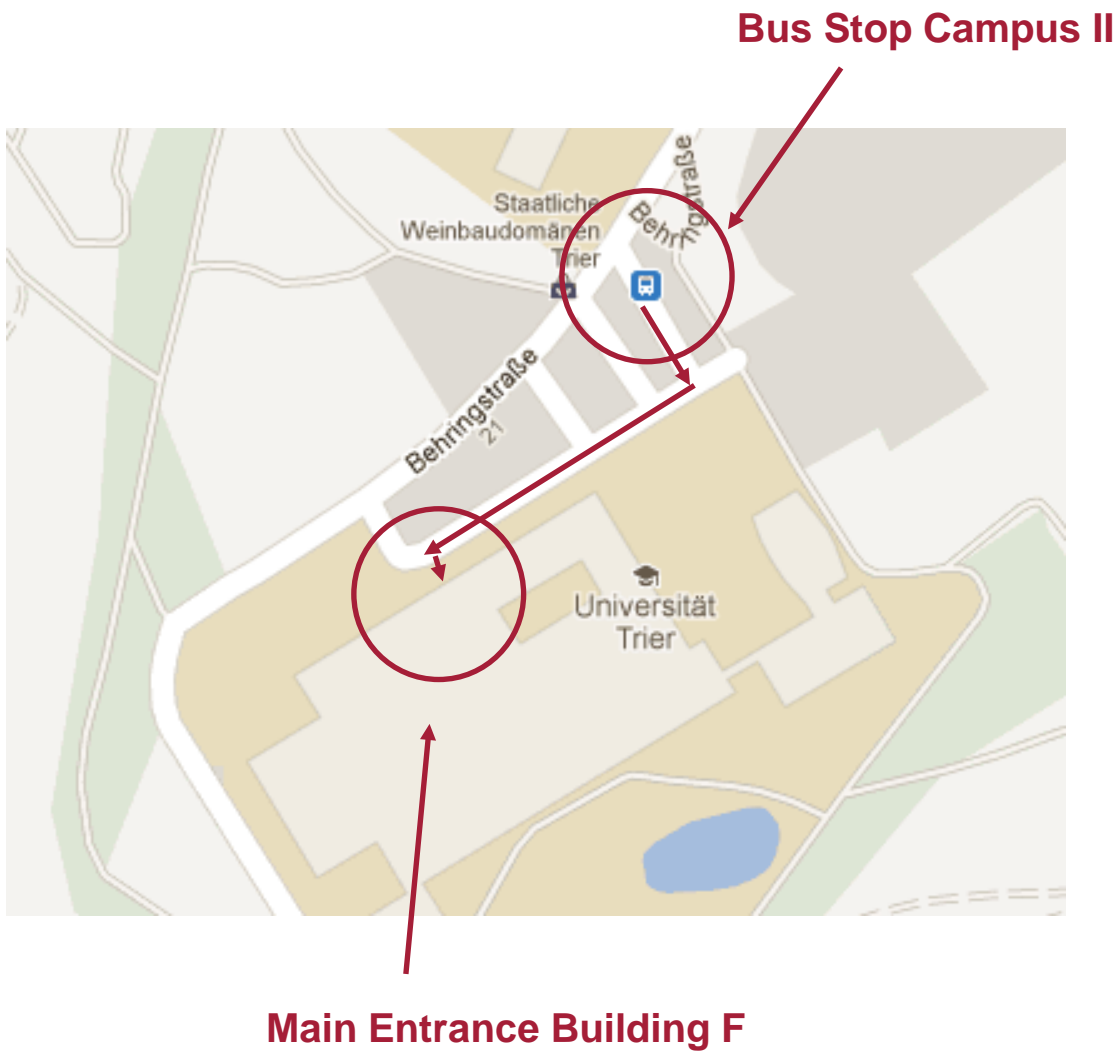


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Overview: Campus II



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Directions to the IAAEU



Main Entrance to Building F



Go left past the map in the foyer and look to your right



The stairs next to the library entrance lead up one story (1.0 OG)



...at the top of the stairs turn to the right and follow the hallway...



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You'll have to pass through a couple of glass doors...



To get to these two elevators



The IAAEU is on the 7th floor



The entrance to the IAAEU will be open for the duration of the workshop.

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Abstracts

Friday, 09:15 – 10:45: Principal-Agent-Communication
Chair: Marco de Pinto

Marco Kleine, Sebastian Kube

**“Communication and Trust in Principal-Team Relationships:
Experimental Evidence”**

We study how upward communication - from workers to managers - about individual efforts affects the effectiveness of gift exchange as a contract-enforcement device for work teams. Our findings suggest that the use of such self-assessments can be detrimental to workers' performance. In the controlled environment of a laboratory gift exchange experiment, our workers regularly overstate their own contribution to the joint team output. This misreporting seems to spread distrust within the team of workers, as well as between managers and workers. This manifests itself in managers being less generous with workers' payments, and in workers being more sensitive to the perceived kindness of their relative wage payments. By varying the source and degree of information about individual efforts between treatments, our results indicate that while the precise knowledge about workers' actual contribution to the team output is beneficial for the success of gift exchange relationships with working teams, workers' self-assessments can be a problematic tool to gather such knowledge.

Andrzej Baranski

“Individual Contributions and Collective Redistribution”

I study a multilateral bargaining model where committee members decide how much to invest in a common project and then proceed to redistribute the total value of production. In a variation of the model, each member's probability of being the proposer is proportional to her investment. An experimental investigation shows that voluntary contributions reach almost full efficiency, contrary to equilibrium predictions. In the redistributive bargaining game, allocations are more inclusive and fair than in the case in which the fund to distribute is exogenously given. When partners contributions are unobservable, efficiency is lower but the contest for proposal rights mitigates free-riding incentives.



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Friday, 11:15 – 12:45: Co-determination in Germany
Chair: Daniel Arnold

Anne-Marie Kortas, *Sigurt Vitols*

„Co-determination and Sustainability since the Financial Crisis”

The most important factor for worker participation in a company are the different co-determination laws. The reality of co-determination on the board level in Germany is however often more nuanced, depending also for example on the participation in committees or the existence of a European Works Council. Taking these aspects into consideration, an innovative co-determination index (abbreviated MB-ix for its German name ‘Mitbestimmungsindex’) was calculated for 160 publicly traded companies in the years 2007 and 2012 (in total 203 companies). The MB-ix offers two dimensions of co-determination: an international one and one combining the presence of employees in the bodies. The index identified a slight increase of co-determination between the two years and, using information from the sustainability rating agency ASSET4, a statistically significant positive correlation between co-determination and sustainability in the company, could further be shown for the year 2012.

Katharina Dyballa, Kornelius Kraft

“To what extent do co-determined companies influence different components of executive compensation? – An empirical analysis for listed companies in Germany”

Previous literature assumes that co-determined firms exhibit a less strong relation between managerial compensation and firm performance than firms without codetermination do. Contrary to this literature we hypothesize that interests of labor may well – like that of the shareholder – be aiming at securing long-run survival of the firm. As a consequence, employee representatives on the supervisory board could well have an interest in increasing incentive based compensation to avoid excessive risk taking and short-run orientated decision making.

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Recent changes in German law concerning publication obligations offers for the first time the opportunity to compile unique panel data on different components of executive compensation over the periods 2006 to 2011 for 316 listed companies. A Hausman-Taylor approach is used to estimate the time-invariant effect of co-determination on the performance-based share of compensation. It turns out that co-determination has a significant positive effect on the share of performance-based components in relation to total compensation, which supports our hypothesis.

Friday, 13:45 – 16:00: Participation in Wage Setting Chair: Adrian Chadi

Jörg Franke, Ruslan Gurtoviy, Vanessa Mertins
“Workers’ Participation in Wage Setting and Opportunistic Behavior: Evidence from a Gift-Exchange Experiment”

Our study analyzes the consequences of workers’ participation in the wage setting process on effort exertion. The experimental design is based on a modified gift-exchange game where the degree of workers’ involvement in the wage setting process is systematically varied among the workers. The experimental data reveals that workers’ participation leads actually to a decline in effort exertion which can be explained by negative reciprocity of the respective worker. These results put some recently observed positive effects from workers’ participation in experimental labor markets into perspective and are more in line with the ambiguous results from empirical studies.

Katrin Köhler, Beatrice Pagel, Holger Rau
„The Impact of Unionism and Minimum Wages on Worker Productivity: An Experimental Analysis”

We analyze the impact of unions in an experiment where workers can bargain on the introduction of a minimum wage. In the experiment three workers are hired by one employer. In the first stage employers offer each worker a share of the firm revenue as wage.



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Afterwards revenues are generated by workers doing a real-effort task. In the second part, workers act as unions and bargain with the employer on the introduction of a minimum wage. If it is accepted, employers are bound to pay the minimum wage. We compare this setting to a control where workers cannot “participate” in negotiations, i.e., the minimum wage is exogenously introduced. Our results highlight that workers substantially increase their work effort under a minimum wage when they have participated in unions. Effort only moderately increases in the absence of worker participation.

Sabrina Jeworrek, Vanessa Mertins

„When Pay Increases are Not Enough: The Economic Value of Wage Delegation in the Field”

By conducting a natural field experiment, we test whether a managerial policy of allowing employees to self-determine their wages is as successful as recently suggested by laboratory evidence. We find that this policy indeed enhances performance. However, our data is clearly at odds with the conjecture of Pareto improvements, since labor costs grow even faster. Admittedly, the performance change is remarkable given that a considerable pay increase has no effect at all. Surprisingly, the data suggests that explicitly denying parts of the workforce this choice boosts performance, too. Additional experimental and survey data provides important insights into employees' underlying motivations.

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Saturday, 09:30 – 11:00: Voice at the Workplace Chair: Mario Mechtel

Guillermo Alves, Andres Dean, Gabriel Burdin
“Workplace Democracy and Job Flows”

This paper investigates the relationship between workplace democracy and job flows (net job creations, gross job creations and destructions) by comparing the behavior of worker-managed firms (WMFs) and conventional firms. The empirical analysis relies on high frequency administrative firm-level panel data from Uruguay over the period April 1996-July 2009. The main findings of the paper are that (1) WMFs exhibit much more stable job dynamics than CFs; (2) both types of firms have decreasing in age and increasing in size gross job creation profiles; (3) there are heterogeneous employment regimes within WMFs: high job creation and destruction rates of hired workers and low job creation and destruction of members. This paper contributes to the literature on the role of institutions in shaping job flows. Our results may have important implications in terms of allocative efficiency effects associated with worker participation.

Sebastian Schaub
“Peer Evaluation and Compensation Schemes in a Real Effort Experiment”

I investigate the evaluation behavior of agents in a rank-order tournament, where prizes are distributed on basis of the mutual evaluation of team members. If only the agents directly competing for the prizes know each other's true performance, the tournament might deter them from giving truthful reports on performance rendering the tournament meaningless. Addressing this conflict, I study the effect of two payment schemes: (1) fixed wages plus an additional bonus payment; (2) the identical bonus payment combined with payments based on all agents' cumulative performances.



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Additionally the evaluation schemes are varied: The agents can either evaluate each other freely or are forced to rank the other agents. If the agents are assumed to respond reciprocally to good performances by other agents, payments based on cumulative performance and forced evaluation might lead to more truthful evaluations. This view is supported by the experimental data, highlighting the importance to compliment peer evaluation with team incentives.

Saturday, 11:30 – 13:00: Works Councils and Trade Unions
Chair: Olga Lorenz

Adrian Chadi, Laszlo Goerke

“Job Insecurity as a Reason to Belong to a Trade Union”

The industrial relations literature suggests that workers with great concerns about job loss are more likely to become union members when compared to workers with high levels of job security. Empirical evidence for this hypothesis is, however, lacking. Moreover, despite a labour climate with rather low levels of perceived job security, trade unions are in decline all over the Western world. Motivated by these observations, this study investigates one potential reason for joining a trade union: perceived job insecurity. Analyses based on data from the German Socio-Economic Panel Study (SOEP) reveal a strong relationship between membership status and job insecurity. Concerns about losing one’s job increase the likelihood of being in a trade union. As a source of exogenous variation in reported job security levels, we exploit data on the local employment situation.

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Jan Drahekoupil, Romuald Jagodzinski

„Social Agency within Multinational Corporations: Assessing the Impact of European Works Councils“

This paper assesses the impact of European Works Councils (EWCs) and SE works councils on strategic decisions and organizational outcomes in multinational corporations (MNCs). It draws on the existing research in the industrial relations tradition and links it to the discussion in international business strategy, particularly to that on the politics in MNCs. In particular, it focuses on what role EWC play in shaping decisions and outcomes both on the transnational company level (the whole MNC and its network) and on the level of individual subsidiaries and/or national group of subsidiaries. As their roles and influence vary, the paper also aims to establish conditions under which EWCs have an influence.



Internet access

→Via the eduroam network

- Please make sure your WLAN function is enabled
- Select “eduroam” and click “Connect”
- Log in with these details:
 - Username:
<your-username@your-university.Suffix>
e.g. my-address@my-university.edu
 - Password :
<password for your account at your university>



→Computer-Pool:

Alternatively, you can use a computer located in the computer room at the IAAEU (H730) with the login information specified below:

- Username: iaegast
- Password: Q+tdPatu



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