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Research Papers in Economics
No. 13/24

Does Employee Representation Foster Workplace Democracy?

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Abstract: From a theoretical viewpoint it is not clear whether or not works councils contribute to workplace democracy. This study is the first to provide systematic evidence that employees in establishments with a works council experience more democracy at work than the ones in establishments without a works councils. Employees' unionization plays an important moderating role in the link between works councils and workplace democracy. The influence of works council presence on experienced democracy at work is more pronounced and much stronger for union members than for nonmembers.

Keywords: Works councils, unions, democratic experience at work, open organizational climate, self-efficacy, collective efficacy.

JEL: J52, J53, M12, O35.

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1. Introduction

Works councils provide a highly developed mechanism for representative employee participation in decision making at the establishment level. While works councils play a role in corporate governance in many European countries, their powers differ substantially. Particularly, German works councils have acquired more extensive powers than their counterparts in most of the other countries. Works councils have been thought to contribute to workplace democracy (Müller-Jentsch 1995a, 2008). Indeed, a large number of studies have shown that works councils in Germany have a far-reaching influence on the personnel policy of establishments (Mohrenweiser 2022). This fits the notion that works council have the power to break with hierarchical management forms and bring in the perspectives of employees.

However, it is an open question of whether works councils represent workers' interests in a democratic or rather bureaucratic way. On the one hand, works councils may function as a collective voice institution improving communication among employees and involving them in their activities. On the other hand, works councils may be subject to Michel's (1915) 'iron law of oligarchy' and negotiate with management in a rather autocratic manner that is detached from the rank-and-file.

Our study is the first to systematically examine the influence of works councils on employees' democratic experiences at work. As emphasized by participation theory, workplace democracy not only involves an organizational climate open to communication and discussion of topics that may be otherwise suppressed by management. It also leads to employees' perceptions of increased efficacy (Pateman 1970). Thus, to the extent works councils contribute to workplace democracy, they can be expected to contribute to a more

open organizational climate and a higher sense of efficacy among employees. By contrast, if works councils are instead autocratic bodies of employee representation that are largely detached from the rank-and-file, they are not likely to overcome employees' apathy and feelings of powerlessness at work.

In Germany, the creation of a works council depends on the initiative of the establishment's workforce. Hence, works councils are not present in all eligible establishments. This allows conducting a within-country study comparing employees in establishments with and without a works council. Using a sample of employees in the eastern part of the country, our study shows that employees in establishments with a works council are more likely to have a high degree of collective efficacy – the belief that problems and conflicts at work can be best solved jointly with colleagues. Furthermore, employees in establishments with a works council are more likely to report that they can openly discuss about codetermination and unions without having to fear any disadvantages. These results conform to the notion that employees in establishments with a works council experience more workplace democracy in terms of a more open organizational climate and perceptions of more collective control over what happens at work.

Our study also shows that unionization plays an important moderating role. The influence of works councils on employees' collective efficacy and perceptions of an open organizational climate is much stronger among union members than among non-members. Moreover, for union members, the presence of a works council is even associated with increased self-efficacy – an employee's belief that their personal engagement can make a change to improvements at work. The findings conform to the notion that the functioning

of works councils depends on its interplay with unions. Works councils contribute to a much higher degree to experienced workplace democracy if employees are unionized.

The contribution of our study to the literature is fivefold. First, the study closes an important research gap in the works council literature. During the last three decades or so, there has been an increasing interest in the economic consequences of works councils. A remarkable number of studies have examined the influence of works councils on productivity, profitability, innovation, employment and wages (Mohrenweiser 2022). Some recent studies have also begun to examine the influence of works councils on employees' political behavior outside the workplace (Jirjahn and Le 2024a, 2024b). However, none of the previous studies have examined the long standing claim that works councils contribute to more democracy within establishments.

Second, our study for East Germany contributes to the discussion on the development of industrial relations in this part of the country (Hyman 1996, Schmidt 2003). Following reunification, the transfer of West German industrial relations institutions to East Germany resulted in a series of frictions. This has led to concerns that the development of industrial relations in the eastern part of the country may take a path different from the one in the western part. Our results suggest that the industrial relations institutions work in East Germany when it comes to workplace democracy.

Third, on a broader scale, our study contributes to the general discussion on democratic structures of worker organizations (Baccaro et al. 2019, Gumbrell-McCormick and Hyman 2019). That discussion overwhelmingly focuses on unions and is largely based on case study evidence. Our study provides large-scale evidence on an institution of worker representation that has functions sufficiently different from those of unions. Importantly,

we can examine the intertwined influences of works councils and unions as our dataset contains information on both works councils and union membership of employees. Considering both works councils and unions is particularly crucial in a European context where works councils are mandated in many countries and strong linkages between works councils and unions exist.

Fourth, our study contributes to the broader literature on political spillovers. Political spillover theory assumes that participation in decision making fosters employees' political engagement outside the employment sphere by increasing their sense of efficacy at work (Pateman 1970). A series of international studies indeed have found that various forms of participation and representation at work influence employees' political behavior outside the workplace (Budd and Lamare 2020). Our study provides evidence on the missing link by showing that participation in decision making increases employees' sense of efficacy at work.

Fifth, our study contributes to the discussion on the quality of work (Green 2021). Efficacy has been shown to play an important role in people's health and well-being (Bandura 1995, 1997). Our findings suggest that works councils contribute to a higher quality of work by fostering employees' efficacy.

2. Background Discussion

2.1 Industrial Relations in Germany

Industrial relations in Germany are characterized by a dual structure of employee representation with both works councils and unions (Behrens 2016, Keller and Kirsch 2015, Müller-Jentsch 1995b, Silvia 2013). Works councils provide a highly developed mechanism for establishment-level codetermination while collective bargaining

agreements are usually negotiated between unions and employers' associations on a broad industrial level.

Typically, firms are covered by a collective agreement if they are members of an employers' association (Jirjahn 2023). As in many other countries, covered firms in Germany pay the negotiated wage rates to both union members and non-members. Thus, workers have a relatively low incentive to join a union as they benefit from collective agreements even without a membership. Indeed, the share of workers covered by collective bargaining is much higher than the share of union members. Unions try to overcome this collective action problem by providing selective services such as legal support only to their members (Olson 1965).

Works councils shall be elected by the workforce of establishments with five or more employees. However, their creation depends on the initiative of the establishment's workforce. Thus, works councils are not present in all eligible establishments. The Works Constitution Act, the law that governs the works council system, provides works councils with quite extensive participation rights. On some issues they have the right to information and consultation, on others a veto power over management initiatives and on still others even the right to co-equal participation in the design and implementation of policy. Their rights are strongest in social and personnel matters including payment methods, allocation of working hours, monitoring employee performance, and up- and down-grading.

Works councils are institutionalized bodies of employee representation that have functions distinct from those of unions (Jirjahn and Le 2024b). First, while unions have a redistribution function, works councils are designed to increase joint establishment surplus rather than to redistribute the surplus. Works council and employer are obliged by law to

cooperate ‘in a spirit of mutual trust . . . for the good of the employees and of the establishment’. Thus, the balancing of interests plays a crucial role in the functioning of works councils. Second, unions and works councils have different modes of interaction. While industrial action is the most important measure of unions to represent employees’ interests, communication and consultation play a key role in representation through works councils. Works councils do not have the right to strike. If council and management fail to reach an agreement, they may appeal to an internal arbitration board or to the labor court. Third, while unions are mainly concerned with wage negotiations, works council representation has a much broader scope. A works council participates in almost every decision management makes. Fourth, unions in Germany tend to represent employees’ interest at the industry level while works councils represent employees at the establishment level. Hence, works councils are closer to the employees and their workplaces. Fifth, unions particularly mobilize employees when negotiations over collective agreements occur. By contrast, works council representation involves a more continuous participation in management decisions.

The institutional framework suggests that works councils have the potential to contribute to a more democratic process of communication and exchange among employees – a potential that goes beyond the regular elections of works councilors held every four years (Jirjahn and Le 2024a). Once implemented the works council may fix hours for consultation. This allows workers to be in contact with the works council. Each worker has the right to propose issues to be discussed by the works council. Furthermore, the works council holds regular works meetings with the whole workforce to report about its activities and to discuss topics such as collective bargaining policy, social policy,

environmental and financial matters, equal opportunities, or work-life balance. The works meeting may make suggestions to the works council and take a stand on its activities.

However, the functioning of works councils cannot be immediately derived from a reading of the Works Constitution Act. The behavior of works councils is not completely determined by the letter of law. The institutional framework of establishment-level codetermination sets out general principles rather than specific rules. It involves substantial indeterminacy and situational ambiguity (Jackson 2005). This implies that both management and works councils have scope to set their own agenda and to decide which goals they pursue (Frege 2002, Jirjahn and Smith 2006). Thus, in what follows, we will make clear that the implications of works councils for workplace democracy are ambiguous from a theoretical point of view.

2.2 Works Councils and Workplace Democracy

Workplace democracy means that two requirements are met. First, works councils have the power to influence decisions made by management. Second, works councils represent employees' interests in a manner that ensures the involvement of the rank and file and, hence, leads to more democratic experiences employees make at the workplace.

A series of empirical studies suggest that the first requirement is indeed met. Works councils have a far reaching influence on the personnel policy of establishments (Behrens and Pekarek 2023, Jirjahn 2018, Jirjahn and Smith 2018, Mohrenweiser 2022). Establishments with a works council are characterized by lower wage inequality. They are less likely to use the threat of dismissal as an incentive and are more likely to use incentive schemes such as profit sharing. They also provide more training and are more likely to implement family friendly practices and promote occupational health and safety.

Moreover, establishments with a works council have larger internal labor markets. They are characterized by increased employee retention and a higher tendency to pay seniority wages. Altogether, this suggests that works councils have the potential to break with autocratic management structures where management unilaterally determines the rules of the workplace and workers are supposed to give unquestioned obedience to managerial authority. Works councils have the potential to influence managerial decision making and to bring in workers' perspectives and ideas.

However, it is an open question whether the second requirement is met. On the one hand, works councils may act as a collective voice institution aggregating workers' preferences (Freeman 1979, Freeman and Medoff 1979, Jirjahn and Smith 2018). The collective voice role suggests that works councils represent workers' interests in a rather democratic way. The works council as a collective voice institution has to bring its policy into agreement with the workforce. This implies intensified communication and discussion about work-related issues between works council and workforce and also within the workforce. For example, the regular works meetings can serve as a forum to discuss workplace-related topics, build workers' consensus around common objectives and tactics, and align the policy of the works council to workers' interests and preferences. The influence of a works council on management decisions depends on the support by the workforce (Jirjahn et al. 2011). Democratic decision processes within the workforce may increase workers' support. In the long-run, works councilors may be not reelected without such support.

On the other hand, works councils may negotiate with management in a rather autocratic manner that is detached from the rank-and-file. This view of employee

representation implies that the works council acts as a service provider treating employees as more or less passive consumers (Morris and Fosh 2000).¹ The works council acts on behalf of the workforce without involving it. Worker organizations can face a tradeoff between worker involvement and strategic leadership (Gumbrell-McCormick and Hyman 2019). Thus, employee representatives may prefer a paternalistic leadership style (Pizolitto et al. 2023) centralizing their power in order to increase their influence on management decisions. Furthermore, it has to be taken into account that there is an agency problem (Bellante and Porter 1992, Kremer and Olken 2009). Employee representatives are agents of the workforce who cannot be perfectly controlled by the rank-and-file and, hence, have scope to pursue their own goals. They may limit democratic processes within the workforce if suppressing critique and debate helps secure their position (Taft 1944). They may even collude with management to obtain private benefits.² Such employee representatives provide some services to satisfy basic needs of the workforce, but primarily tend to secure their own position or even side with management when it comes to decisions substantially affecting the employer's interests.

2.3 Implications for Employees' Experiences at Work

The democratic and the autocratic style of representation have very different implications for the experiences employees make at work. A democratic style of representation implies that employees experience more discussion and communicative exchange at work. Employees may not simply discuss work-related issues and improvements of working conditions. They may also more critically discuss management decisions and the policy of the works council. In our empirical analysis, we capture an open organizational climate with a dummy dependent variable equal to 1 if an employee feels that workers can talk

freely about unions and works councils without repercussions. In Germany, management initially often tries to suppress worker representation (Behrens and Dribbusch 2020, Hartcourt et al. 2020, Jirjahn and Mohrenweiser 2016, Royle 1998). However, once established, a works council may create an organizational climate open to communication and discussion of topics that may be otherwise suppressed. The works council not only protects employees from management reprisals (Freeman and Lazear 1995, Smith 1991) and initiates a process of learning where managers may change their mindsets and recognize the value of participation (Jirjahn et al. 2011). To the extent the works council represents employees' interest in a democratic way, a free discussion about employee representation also means that employees can openly talk about the policy and performance of the works council.

Moreover, as emphasized by participation theory, workplace democracy fosters the experiences of increased efficacy among employees (Markowitz 1998, Pateman 1970, Schur 2003). Thus, to the extent a works council represents employees' interests in a democratic way, this should contribute to employees' perceptions of efficacy. Employees are actively involved in collective voice processes. On the one hand, they learn that the works council is responsive to their needs and they have the ability to shape the council's policy. On the other hand, they experience that they have the power to influence management's decision making through the works council. In our empirical analysis, we use variables for collective efficacy and self-efficacy (Bandura 1995, 1997). Democratic employee representation may strengthen employees' beliefs in both their collective and their individual power. On the one hand, consensus building and solidarity play a crucial role. Employees learn that the works council can represent their interests more effectively

if they stand together. This increases the belief that they have joint control over what happens at work. On the other hand, employees make the experience that they can bring in their individual perspectives if the works council organizes the discourses and communication with and among employees in a democratic manner. This strengthens the feeling that the personal engagement of the individual employee plays a role in decision-making and can make a change to improvements at work.

By contrast, if a works council acts in a rather autocratic manner, employees are less likely to experience increased efficacy and an organizational climate open to discussion. An autocratic works council negotiates with management without actively involving the workforce. Employees remain largely passive. Their role is more or less confined to voting in the regular works council elections every four years. Autocratic works councilors even tend to suppress critical and open discussions among employees to avoid that their status and position is questioned. Thus, in the end, an autocratic style of worker representation is less likely to overcome apathy and feelings of ineffectiveness and powerlessness at work. It does not break with authoritarian relationships within the firm. The orthodox management structure is just replaced by a hierarchical structure that additionally includes the works council. Both structures demand a high degree of obedience and subordination.

2.4 The Moderating Role of Unionization

Of course, the extent of workplace democracy that can be achieved through a works council very likely depends on moderating factors. Specifically, the unionization of employees can be expected to play an important moderating role. Even though works councils and unions

are formally independent, in practice there are important linkages between the two institutions of employee representation.

Unions often provide information, advice and legal support not only to their individual members (Goerke and Pannenberg 2010, 2011), but also to the works council (Behrens 2009, Jirjahn 2017, van den Berg et al. 2024). On the one hand, this gives the works council more power to challenge management authority and influence decisions. On the other hand, it strengthens employees' skills enabling them to participate more actively in the collective voice processes that drive establishment-level codetermination.

Importantly, as unions are industrial unions engaging in centralized bargaining their interests transcend the interests of the actors in the individual establishment (Svejnar 1982). Thus, they may influence works councils within the individual establishments in a way that they function in a manner they are supposed to. Unions will foster works councils as democratic institutions and try to avoid that autocratic works councilors build their own private empires. Altogether, we expect that the presence of a works council has a stronger influence on experienced democracy within the workplace if employees are unionized.

3. Data and Variables

3.1 The Dataset

In the end, only empirical research can reveal the functioning of works councils in practice. In our case, this requires data containing information on both industrial relations and employees' experiences of democracy at work. Conventional datasets such as the IAB Establishment Panel or the Socio-Economic Panel do not provide information on democratic experiences at work. Hence, our empirical examination uses data from the Leipzig Authoritarianism Studies series (Decker and Brähler 2020, Decker et al. 2024).

These studies commissioned by a group of researchers from Leipzig University examine political attitudes in Germany. We use data from a specific survey conducted in cooperation with other universities in the year 2022 among people residing in East Germany. While the main focus of this representative survey was on psychological issues, political attitudes, and experiences related to the former socialist regime, the survey also collected unique information on industrial relations and democratic experiences at work (Kiess et al. 2023).

3,011 randomly chosen respondents participated in the paper-and-pencil interviews. As our study examines current experiences at work, we focus on persons who are employed. Hence, the analysis does not capture persons who are unemployed or out of the labor force. We also exclude managers and self-employed persons from the analysis. After eliminating observations for which full information is not available, the empirical investigation is based on data from 1,267 employees.

3.2 The Variables

Table 1 provides the definitions and descriptive statistics of the key variables. Our dependent variables build from three items:³ (i) Problems or conflicts in the establishment can be best solved jointly with colleagues; (ii) My personal engagement can make a change to improvements in this establishment; (iii) In this establishment, I can openly talk about works councils and unions without having to fear any disadvantages. The first item captures collective efficacy, the second one self-efficacy, and the third one an open organizational climate. Interviewees were asked to respond to each of the statements on a five-point Likert scale ranging from “do not agree at all” to “agree very strongly.” For each item, we define a dummy variable equal to 1 if the interviewee agrees strongly or very

strongly. 69% of the interviewees believe in their collective efficacy and 50% in their self-efficacy at work. 49% perceive the organizational climate as being open to discussion of sensitive issues.

Industrial relations at work are captured by dummy variables for union membership and the presence of a works council. 54% of interviewees work in an establishment where a works council is present. 16% are union members. The relatively low degree of unionization reflects that employers covered by a collective bargaining agreement pay the negotiated wage rates to both union members and nonmembers. Thus, employees often have little incentive to join a union as they benefit from collective bargaining even without being a member (Bedaso and Jirjahn 2024).

Appendix Table A1 shows the definitions and descriptive statistics of the control variables. Perceptions of own efficacy and the openness of the organizational environment may also depend on an employee's socio-demographic characteristics and occupational status. We control for gender, age and education to capture socio-demographic characteristics. Variables for blue-collar workers and civil servants in the public sector account for occupational status. In an additional robustness check, we will also control for the employee's monthly earnings.

4. Empirical Analysis

4.1 Initial Regression Results

Table 2 presents the initial regression results. As our three dependent variables are dummy variables we jointly estimate three probit equations using a multivariate model. The multivariate probit model allows for correlated error terms between the various probit equations (Capellari and Jenkins 2003). The estimates show that all of the three correlations

of error terms are significantly positive. Most salient to our topic, the table presents the results on our key explanatory variables for works council presence and union membership. Controls are included, but are suppressed to save space.⁴

While works council presence is not significantly associated with self-efficacy, it emerges as a significantly positive determinant of collective efficacy and an open organizational climate. The influence of this determinant is also quantitatively substantial. The presence of a works council is associated with a 7 percentage point higher probability that an employee feels collective efficacy at work. It increases the likelihood of perceiving the organizational climate as being open by 17 percentage point. The positive influence on collective efficacy and the organizational climate corroborates the hypothesis that works councils contribute to workplace democracy.

The estimates suggest that union membership also plays an important positive role in experienced democracy at work. Union membership is not only significantly associated with collective efficacy and perceptions of an open organizational climate, but also with self-efficacy. These results conform to the notion that the information, support and protection provided by unions helps their members participate more effectively in decisions made at work. While the results show that unionization plays a positive direct role in experienced work place democracy, at issue is now whether they also play an indirect moderating role by strengthening the influence of works councils.

4.2 Union Members vs. Nonmembers

In order to examine the moderating role of unionization, Table 3 provides separate estimations for union members and nonmembers. While works council presence has a significantly positive influence on collective efficacy and the organizational climate for

both groups of employees, the influence is much stronger for unionized than for nonunionized individuals. The presence of a works council increases the probability of collective efficacy at work by 34 percentage points for union members, but only by 6 percentage points for nonmembers. It increases the probability of perceiving the organizational climate as being open by 45 percentage points for union members, but only by 14 percentage points for nonmembers. Moreover, the estimates show that works council presence has a significantly positive influence on self-efficacy at work only for union members, but not for nonmembers. For union members, the presence of a works council is associated with a 25 percentage point higher probability of feeling self-efficacy at work. Altogether, the results of the separate estimations conform to the hypothesis that the support by unions enables employees to more effectively participate in the collective voice processes underlying establishment-level codetermination and to make sure that works councils represent the interests of the workforce in a democratic way.

As a check of robustness, the regressions shown in Appendix Table A3 additionally include a control variable for the employee's monthly earnings. A series of studies have shown that works council presence is associated with higher wages (Mohrenweiser 2022). The robustness check helps examine if the influences identified so far just reflect higher wages. While the variable for earnings emerges as a significantly positive determinant in almost every equation, the basic pattern of key results remains largely unchanged. For union members, the presence of a works council continues to be significantly associated with all three indicators of experienced workplace democracy – collective efficacy, self-efficacy and the organizational climate. In the regression for nonmember, works council presence is still a significant determinant of an open organizational climate. However, the

influence on collective efficacy loses statistical significance when including the variable for earnings. Altogether, the robustness check confirms that works councils have a much stronger impact on experienced workplace democracy if employees are unionized.

5. Conclusions

The claim that works councils contribute to workplace democracy has never been systematically examined before. From a theoretical viewpoint, the role of employee representation in promoting workplace democracy is not clear. The power of a works council to influence management decisions alone does not guarantee that employees experience greater democracy at work. If the works council represents the interests of the workforce in a rather autocratic manner, employees would remain largely passive and feelings of ineffectiveness and powerlessness at work would continue. Only if the works council involves the workforce in its activities and fosters communication with and between employees, the rank-and-file will experience more workplace democracy.

Our empirical analysis shows that employees in establishments with a works council indeed experience more democracy at work than employees in establishments without a works council. Thus, our study provides supporting evidence for the long-standing claim that establishment-level codetermination contributes to a democratization of the workplace. However, the link between works council presence and experienced democracy at work is moderated by employees' unionization. The link is more pronounced and much stronger for union members than for nonmembers.

Our finding of a moderating role of unionization fits other studies showing that the functioning of works councils depends on the broader industrial relations system (Jirjahn 2017, van den Berg et al. 2024). However, the industrial relations system in Germany is

undergoing substantial changes. Both union membership and collective bargaining coverage are in decline (Ebbinghaus and Göbel 2014, Ellguth and Kohaut 2021, Fitzenberger et al. 2009). If this trend continues in the future, works councils to some extent may lose their effectiveness in promoting workplace democracy. Moreover, in recent years, the share of establishments with a works council itself is also declining. Employers tend to increasingly implement alternative forms of employee involvement such as staff spokesmen and round tables (Ertelt et al. 2017, Stettes 2008). While these alternative forms of involvement may provide channels for improved communication between employees and management, they depend on the discretion of the employer. They have no legally defined rights and are far less powerful than works councils. Thus, it can be doubted that alternative forms of employee involvement are able to play a role similar to the one of works councils. In the end, the changes in the German industrial relations system appear to entail the risk of a substantial loss in workplace democracy. This would not only imply a lower quality of work. To the extent workplace democracy has an influence on employees' political behavior outside the workplace, the changes would also have far reaching consequences for society as a whole.

We recognize that our study is only a first step to obtain systematic insights into the link between works councils and workplace democracy. Further research is certainly warranted. It would be interesting to extend our analysis for East Germany to the western part of the country. Moreover, panel data could be fruitfully used to analyze developments and issues of causation in more detail. Finally, a particularly valuable expansion of the analysis would be to also consider spillover effects on the political behavior of employees outside the workplace. Studies on political spillovers typically examine the link between

union or nonunion representation and employees' political behavior without considering the mediating role of workplace democracy (Budd and Lamare 2020, Jirjahn and Le 2024a, 2024b). An analysis explicitly accounting for the mediator role of workplace democracy could provide evidence of possible transmission mechanisms that are otherwise only postulated on a theoretical level.

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Table 1: Variable Definitions and Descriptive Statistics of Key Variables

<i>Variable</i>	<i>Definition</i>	<i>Mean</i>
Collective efficacy	Dummy equals 1 if the employee agrees strongly or very strongly with the statement that problems or conflicts at work can be best solved jointly with colleagues.	0.6875
Self-efficacy	Dummy equals 1 if the employee agrees strongly or very strongly with the statement that their personal engagement can make a change to improvements at work.	0.4972
Open organizational climate	Dummy equals 1 if the employee agrees strongly or very strongly with the statement that he or she can openly talk about works councils and unions at work without having to fear any disadvantages.	0.4901
Works council	Dummy equals 1 if a works council is present in the establishment.	0.5359
Union member	Dummy equals 1 if the employee is a union member.	0.1555

Number of observations = 1267.

Table 2: Initial Regression; All Employees

	(1) <i>Collective efficacy</i>	(2) <i>Self-efficacy</i>	(3) <i>Open organizational climate</i>
Works council	0.2149 [0.0745] (2.77)**	0.0454 [0.0175] (0.60)	0.4450 [0.1698] (5.85)**
Union member	0.2567 [0.0845] (2.27)*	0.3286 [0.1266] (3.14)**	0.3219 [0.1205] (2.99)**
Log likelihood	-2166.40		
Correlation of error terms	$Rho12 = 0.7296 (25.97)**$, $Rho13 = 0.6721 (12.62)**$, $Rho23 = 0.6354 (12.73)**$		
Number of observations	1267		

Method: Multivariate probit. The table shows the estimated coefficients. Z-statistics are in parentheses. Average marginal effects are in square brackets. Rho_{jk} is the correlation between the error terms of equations j and k . ** Statistically significant at the 1% level; * 5% level. Control variables are included, but are suppressed to save space.

Table 3: Split Regressions

<i>Panel A:</i> <i>Only union members</i>			
	<i>(1)</i> <i>Collective efficacy</i>	<i>(2)</i> <i>Self-efficacy</i>	<i>(3)</i> <i>Open organizational climate</i>
Works council	0.9799 [0.3377] (3.16)**	0.6817 [0.2513] (2.21)*	1.3021 [0.4487] (3.90)**
Log likelihood	-294.17		
Correlation of error terms	$Rho12 = 0.5882 (5.83)**$, $Rho13 = 0.6028 (6.42)**$, $Rho23 = 0.6508 (7.73)**$		
Number of observations	197		
<i>Panel B:</i> <i>Only nonmembers</i>			
	<i>(1)</i> <i>Collective efficacy</i>	<i>(2)</i> <i>Self-efficacy</i>	<i>(3)</i> <i>Open organizational climate</i>
Works council	0.1609 [0.0572] (1.99)*	-0.0070 [-0.0027] (0.09)	0.3656 [0.1402] (4.64)**
Log likelihood	-1857.82		
Correlation of error terms	$Rho12 = 0.7274 (24.01)**$, $Rho13 = 0.5753 (15.00)**$, $Rho23 = 0.5589 (15.06)**$		
Number of observations	1070		

Method: Multivariate probit. The table shows the estimated coefficients. Z-statistics are in parentheses. Average marginal effects are in square brackets. Rho_{jk} is the correlation between the error terms of equations j and k . ** Statistically significant at the 1% level; * 5% level. Control variables are included, but are suppressed to save space.

Appendix

Table A1: Definitions and Descriptive Statistics of Control Variables

<i>Variable</i>	<i>Definition</i>	<i>Mean</i>
Abitur	Dummy equals 1 if the employee holds a university-entrance diploma (Abitur in German).	0.2510
Woman	Dummy equals 1 if the employee is a woman.	0.5304
Civil Servant	Dummy equals 1 if the employee is a civil servant.	0.0418
Blue collar	Dummy equals 1 if the employee is a blue-collar worker.	0.2155
Age	The employee's age in years.	43.61
Age squared	The employee's age squared.	2041.69
Earnings	The employee's net monthly earnings (in Euro).	1865.90

Number of observations = 1267.

Table A2: Initial Regression; Full Results

	(1) <i>Collective efficacy</i>	(2) <i>Self-efficacy</i>	(3) <i>Open organizational climate</i>
Works council	0.2149 (2.77)**	0.0454 (0.60)	0.4450 (5.85)**
Union member	0.2567 (2.27)*	0.3286 (3.14)**	0.3219 (2.99)**
Abitur	0.2488 (2.64)**	0.2356 (2.69)**	0.3128 (3.51)**
Woman	0.0013 (0.02)	-0.0446 (0.59)	-0.1027 (1.34)
Civil servant	-0.1080 (0.55)	0.3448 (1.81)	0.2897 (1.50)
Blue collar	-0.2233 (2.29)*	-0.2246 (2.37)*	-0.3426 (3.55)**
Age	0.0453 (2.00)*	0.0467 (2.13)*	0.0430 (1.92)
Age squared	-0.0006 (2.25)*	-0.0006 (2.50)*	-0.0005 (2.03)*
Constant	-0.4344 (0.93)	-0.8205 (1.82)	-1.0716 (2.32)*
Log likelihood	-2166.40		
Correlation of error terms	$Rho12 = 0.7296 (25.97)**$, $Rho13 = 0.6721 (12.62)**$, $Rho23 = 0.6354 (12.73)**$		
Number of observations	1267		

Method: Multivariate probit. The table shows the estimated coefficients. Z-statistics are in parentheses. Rho_{jk} is the correlation between the error terms of equations j and k . ** Statistically significant at the 1% level; * 5% level.

Table A3: Split Regressions; Controlling for Earnings

<i>Panel A: Only union members</i>			
	<i>(1) Collective efficacy</i>	<i>(2) Self-efficacy</i>	<i>(3) Open organizational climate</i>
Works council	0.98853 [0.3402] (3.18)**	0.6395 [0.2277] (2.03)*	1.2991 [0.4291] (3.80)**
Earnings	0.00003 [10 ⁻⁷] (0.22)	0.0003 [0.0001] (2.87)**	0.0004 [0.0001] (2.82)**
Log likelihood	-287.03		
Correlation of error terms	<i>Rho12 = 0.5980 (5.94)**</i> , <i>Rho13 = 0.6223 (6.76)**</i> , <i>Rho23 = 0.6331 (7.12)**</i>		
Number of observations	197		
<i>Panel B: Only nonmembers</i>			
	<i>(1) Collective efficacy</i>	<i>(2) Self-efficacy</i>	<i>(3) Open organizational climate</i>
Works council	0.1116 [0.0391] (1.36)	-0.0465 [-0.0179] (0.59)	0.3191 [0.1209] (3.99)**
Earnings	0.0003 [0.0001] (4.19)**	0.0002 [0.0001] (3.24)**	0.0002 [0.0001] (4.08)**
Log likelihood	-1844.59		
Correlation of error terms	<i>Rho12 = 0.7243 (23.53)**</i> , <i>Rho13 = 0.5661 (14.46)**</i> , <i>Rho23 = 0.5516 (14.68)**</i>		
Number of observations	1070		

Method: Multivariate probit. The table shows the estimated coefficients. Z-statistics are in parentheses. Average marginal effects are in square brackets. Rho_{jk} is the correlation between the error terms of equations j and k . ** Statistically significant at the 1% level; * 5% level. Control variables are included, but are suppressed to save space.

Endnotes

¹ This view is related to Schumpeter's (1942) theory of democracy. According to Schumpeter, voters in democratic political systems mirror passive consumers. Voters are characterized by apathy, ignorance, and lack of foresight. Therefore, political elites play a crucial role in democracy. Such a view of democracy leaves little scope for an active political and civic engagement of citizens.

² The works council scandal at Volkswagen provides one example (Dombois 2009). The scandal came to light in the year 2005. Works councilors at Volkswagen received irregular payments and other private benefits including brothel visits.

³ The items were also asked in a predecessor survey. Kiess and Schmidt (2024) use the data from that survey to analyze the link between experienced democracy at work and right-wing extremist attitudes. As the predecessor survey does not provide information on works councils and unions, the authors cannot consider the role of these industrial relations institutions.

⁴ Appendix Table A2 provides the full results.