

## Introduction

### The Economics of Mandated Codetermination

Under German law employees have information, participation and codetermination rights both in the decision-making bodies of the enterprise (codetermination at the board level) and on the shop-floor (works constitution). These rights have always been – and apparently continue to be – a highly controversial issue: Ever since the demand for “worker committees” was first raised in the Constituent National Assembly at the Paulskirche in Frankfurt in 1848, Germany witnessed an ongoing debate about the (potential) political and economic consequences of mandated employee participation. Not surprisingly, therefore, the different laws enacted since World War I (starting with the “Act on Civilian War-Work Service” of 1916, followed by the 1920 and the 1952 “Works Constitution Act” and ending with the most recent amendment of that latter Act in 2002) have quite often been the subject of historical, legal, and sociological analyses. What is indeed surprising, however, is the fact that – apart from a few notable exceptions – economists seemed not to consider these laws worth studying. One reason for this ignorance may be due to the fact that “(t)he research literature of industrial relations has done little to recommend itself to the general run of economists. Characterized by a mass of highly descriptive studies, parochial to particular places and times, it often seems resolutely resistant to wider generalization. The academic origins of the subject in labour history and in ad hoc policy making, and its necessarily multi-disciplinary techniques, help account for this rampant empiricism” (*Brown and Nolan* 1988: 347).

Since things have changed considerably over the last decade it is not worth speculating about additional explanations: Fortunately, the availability of some large and representative firm panels has not only reduced the general “supply-side bias” (*Stafford* 1986) in personnel and labour economics, but has also led to an unprecedented increase in the number of (mainly empirical) studies devoted to the analysis of codetermination – be it at the board or at the shop-floor level.

This special volume of “Schmollers Jahrbuch” documents some of the most recent research in this area. It is the outcome of a workshop devoted to the economic analysis of the German Works Constitution and it was held at the University of Witten/Herdecke on February 20<sup>th</sup>, 2002.

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out the assistance of their representatives, namely Birgit Riess and Norbert Kluge, the conference on “Works Councils and Economic Performance” would certainly not have been possible. Moreover, I would like to thank the participants of the conference as well as the referees of this journal for their equally productive and valuable contributions and suggestions.

I hope that the conference’s outcome – the selection of papers included in this special issue – will serve as a stimulus for further research, be it empirical or theoretical.

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