Sharing the Table

Germany's Worker Representation Model Could Transform Business

When Laura Miller arrived for her first meeting as a board member at Volkswagen, she felt out of place. Unlike the other executives in tailored suits who had climbed the corporate ladder, Laura worked on the factory floor installing dashboards. Yet there she sat, about to help make decisions that would affect the future of one of the world's largest automakers.

Laura isn't unusual in Germany. She's part of a system called "codetermination," where workers elect representatives to serve alongside shareholders on corporate boards. In large German companies, workers hold half the seats on supervisory boards. This isn't some fringe experiment—it's a cornerstone of Europe's largest economy and has been for over 70 years.

Most Americans have never heard of codetermination. The idea that the people who build the products should help guide the company seems foreign to our business culture. We're used to a system where shareholders reign supreme, and workers are seen primarily as costs to be managed rather than stakeholders to be consulted.

But what if there's a better way? What if including workers in high-level decision-making creates stronger, more sustainable companies? And what if this approach could help address some of America's most pressing economic challenges, from wage stagnation to short-term thinking in corporate leadership?

This chapter explores Germany's worker representation system and considers what Americans might learn from it. The German model isn't perfect, and it can't simply be copied wholesale. But it offers valuable lessons about balancing the interests of different stakeholders and building an economy that works better for everyone.

The German Model: How It Works

Let's start with the basics. German corporations have a two-tier board structure. The management board (Vorstand) handles day-to-day operations, while the supervisory board (Aufsichtsrat) oversees long-term strategy and appoints management board members.

Under German law, in companies with more than 2,000 employees, workers elect half the members of the supervisory board. In smaller companies with 500-2,000 employees, workers elect one-third of the board. This ensures that worker perspectives factor into major company decisions.

Mark Schmidt, an American executive who has worked in both systems, explains the practical impact: "In American boardrooms, the conversation centers almost exclusively on shareholder returns. In German boardrooms, there's a much broader discussion about the company's responsibilities to all stakeholders—employees, customers, communities, and yes, shareholders too."

This doesn't mean workers control German companies. The board chair, who typically represents shareholders, can cast a tie-breaking vote in deadlocked decisions. And management still runs daily operations. But worker representatives have a meaningful voice in major decisions like factory closures, executive appointments, and long-term investments.

Thomas Weber, who served as a worker representative at BMW, describes his role: "We don't micromanage. That's not our job. But when big decisions come up—opening a new plant, introducing new technology, changing work organization—we make sure the worker perspective is considered. Often we improve the final decision by pointing out practical issues management might miss."

The system extends beyond the boardroom. Nearly all German companies have works councils—elected bodies that address workplace-specific issues like scheduling, safety, and training. These councils give workers a voice in daily management decisions without involving unions directly in business operations.

This dual system—codetermination at the board level and works councils at the workplace level—creates multiple channels for worker input. The result is a more collaborative approach to business that has helped define Germany's economic model.

The Benefits: Why It Works

Germany's economy tells a compelling story. The country has weathered economic storms from reunification to the global financial crisis while maintaining a strong manufacturing base, robust exports, and relatively low unemployment. German workers enjoy higher wages, better benefits, and greater job security than their American counterparts in similar industries.

Could codetermination be part of this success? Research suggests it contributes in several important ways.

First, worker representation promotes long-term thinking. When quarterly profits drive all decisions, companies often sacrifice long-term investments for immediate returns. Worker representatives, whose jobs and communities depend on the company's long-term health, push back against this short-termism.

Martin Höpner, who studies corporate governance at the Max Planck Institute, found that companies with strong worker representation invest more in research and development and maintain higher employment levels during downturns. "They're willing to sacrifice some short-term profit for long-term stability," he explains.

Second, codetermination improves information flow within companies. Workers see operational problems that executives might miss. They understand how policies affect the shop floor. This knowledge, when brought to the boardroom, can prevent costly mistakes.

Consider the contrast between Volkswagen's and General Motors' responses to the 2008 financial crisis. GM, lacking worker input at the board level, initially responded with deep cuts and plant closures, eventually requiring government bailout and bankruptcy protection. Volkswagen, with worker representatives pressing for alternatives, implemented reduced work schedules that preserved jobs while cutting costs. When demand recovered, VW was ready to ramp up production immediately.

Third, worker representation builds trust and reduces conflict. When workers believe decisions consider their interests, they're more willing to accept difficult changes. Germany has fewer strikes and work stoppages than many countries with more adversarial labor relations.

Klaus Müller, a labor relations consultant, has witnessed this effect: "When workers help shape decisions, they have skin in the game. Even if they don't get everything they want, they understand the reasoning and feel heard. That creates buy-in you can't get when decisions are simply imposed from above."

Finally, codetermination helps distribute economic gains more broadly. German CEO pay, while still substantial, remains about 20 times average worker pay—compared to 300+ times in the United States. Income inequality, while still present, hasn't reached American levels. This more balanced distribution supports consumer spending and social cohesion.

The American Context: Challenges and Opportunities

Could codetermination work in America? The question triggers strong reactions. Critics argue it would undermine American business dynamism and shareholder rights. Supporters contend it would address deep problems in our economic model. The truth likely lies somewhere in between.

The American business landscape differs from Germany's in important ways. Our corporate governance centers on a single board rather than the two-tier German system. Our labor movement has historically focused on collective bargaining rather than corporate governance. And our business culture emphasizes flexibility and innovation over stability and consensus.

These differences matter. Simply copying the German model wholesale wouldn't work. But adapting its principles to American conditions could yield significant benefits.

Several American companies already incorporate elements of worker voice in governance. Southwest Airlines has union representatives attend board meetings. Ford has maintained UAW representation on its board subcommittees. These companies consistently outperform their industry peers in both financial returns and labor relations.

Public opinion also suggests openness to change. A 2018 survey found that 53% of Americans would support worker representation on corporate boards. The concept appeals across political lines, with many conservatives appreciating its emphasis on workplace-level problem-solving outside of big government intervention.

Elizabeth Anderson, a philosophy professor who studies workplace democracy, sees potential common ground: "Conservatives value the wisdom of those with practical experience and direct knowledge. Progressives value giving people a voice in decisions that affect their lives. Worker representation speaks to both these values."

Implementing American codetermination would require thoughtful adaptation. Rather than mandating a specific percentage of board seats, we might start with requiring worker-elected representatives on key board committees addressing compensation, safety, and long-term strategy. This would introduce worker perspectives where they matter most while respecting American corporate structures.

We could also strengthen existing mechanisms for worker voice. Employee stock ownership plans could include governance rights rather than just financial benefits. Works councils could be adapted to the American context, giving workers input on workplace-specific issues without requiring unionization.

The benefits could be substantial. Worker representation could help address several persistent American economic challenges:

First, it could help reverse wage stagnation by ensuring productivity gains translate to higher wages, not just higher shareholder returns.

Second, it could encourage companies to invest in workforce training rather than treating workers as disposable. German companies invest heavily in apprenticeships and continuing education, creating skilled workforces that command higher wages.

Third, it could reduce the focus on short-term stock prices that drives much corporate decision-making. Companies might invest more in innovation, quality, and sustainability when quarterly earnings aren't the only consideration.

Fourth, it could rebuild trust in business leadership at a time when many Americans believe the economy is rigged against ordinary people. Giving workers a voice in governance signals that companies value their contributions beyond just labor hours.

Making It Work: Practical Considerations

If America were to move toward greater worker representation, several practical considerations would arise.

The first is scope. Germany applies codetermination based on company size, with stronger requirements for larger firms. A similar approach makes sense for America, focusing initially on larger companies where formal governance structures already exist.

The second is representation mechanisms. How would worker representatives be selected? Germany uses a combination of direct elections and nominations through unions and works councils. America would need its own approach, perhaps direct elections overseen by an independent body to ensure fairness.

The third is training and support. Effective board participation requires knowledge of finance, strategy, and governance. Germany provides training programs for worker representatives to ensure they can contribute effectively. Similar support would be essential in America.

The fourth is legal frameworks. Current American corporate law focuses primarily on shareholder interests. Expanding fiduciary duties to explicitly include worker welfare would provide legal foundations for a more balanced approach to corporate governance.

John Lewis, a corporate attorney who has studied international governance models, suggests a gradual approach: "Start with disclosure requirements about how companies incorporate worker input. Then create incentives for voluntary adoption of worker representation. Build on successful examples before considering broader mandates."

Lewis points to benefit corporations—a relatively new legal structure that allows companies to pursue social and environmental goals alongside profits—as a potential model. "We're already seeing evolution in how we define corporate purpose. Worker representation fits within this broader reconsideration of what companies are for and whom they serve."

Learning from Experience: Success Stories and Cautionary Tales

Both supporters and critics of worker representation can find evidence for their views in international experience. The truth is that implementation details matter enormously.

Germany's system works because it's embedded in a broader institutional framework. Strong vocational education creates skilled workers capable of meaningful participation. Industry associations coordinate standards across companies. Employment protections give workers long-term stakes in company success.

Countries that have implemented worker representation without these supporting institutions have seen mixed results. France mandated worker directors in state-owned enterprises but didn't create effective training programs or clear roles, limiting their impact. Sweden focused on strong unions and workplace-level participation rather than board representation, achieving similar goals through different means.

The lessons? Context matters, implementation details matter, and supporting institutions matter. Worker representation isn't a silver bullet, but rather one element of a balanced approach to corporate governance.

American companies with employee ownership provide some domestic examples. At King Arthur Flour, employee-owners elect representatives to the board who work alongside outside directors with industry expertise. CEO Karen Colberg credits this structure with helping the company maintain quality standards and ethical practices while still growing rapidly.

"Our employee-owners take a long view," Colberg explains. "They're not just looking at the next quarter; they're thinking about the company they'll retire from. That perspective is invaluable in the boardroom."

Moving Forward: A Practical Path

How might America move toward greater worker representation in corporate governance? Several pathways exist, from voluntary adoption to policy changes.

The voluntary path relies on companies recognizing the business benefits of worker input. Some forward-thinking firms already include worker perspectives in governance through advisory councils, board observers, or direct representation. These pioneers can demonstrate the practical advantages of broader stakeholder governance.

The incentive path uses government policy to encourage worker representation without mandating it. Tax incentives for companies that adopt qualifying governance reforms could accelerate change while allowing for experimentation with different models.

The regulatory path would require worker representation more directly, perhaps starting with companies receiving substantial government contracts or support. This approach recognizes that public resources should support companies that serve broader public interests.

Whatever the path, change would likely be gradual rather than revolutionary. Germany's system evolved over decades, with adjustments based on experience. America would follow its own trajectory, shaped by our unique economic institutions and business culture.

Senator Tammy Baldwin, who has proposed legislation to promote worker representation on boards, emphasizes the evolutionary approach: "This isn't about upending American capitalism. It's about making it work better for everyone involved. When workers have a voice in governance, companies make better decisions for the long term."

The Personal Dimension: What It Means for Workers

Behind the policy discussions and economic theories are real people whose lives would change if America moved toward greater worker representation.

Mark Rodriguez has worked at the same manufacturing plant for 17 years, watching decisions made by distant executives transform his workplace. "They close the break room to save money, but executives get bonuses for cutting costs," he says. "If someone from the shop floor had a seat at the table, they'd understand that little things like that kill morale and actually hurt productivity."

Jennifer Chen, a software developer, describes similar frustrations: "We see problems with the product that management misses because they're focused on release dates. We have solutions, but there's no channel to get them heard at the leadership level where decisions get made."

Worker representation creates that channel. It doesn't guarantee that workers get everything they want, but it ensures their perspective factors into decisions that affect their lives and livelihoods.

For executives, worker representation requires adjustment but can ultimately strengthen leadership. Jack Warner, an American CEO who previously worked in Germany, found the system challenging at first but ultimately valuable: "I had to justify my decisions more thoroughly. I couldn't just make pronouncements. But the questioning improved my thinking and the worker insights often identified problems we would have missed. I became a better leader."

For investors, the implications are mixed but potentially positive for long-term returns. Companies with worker representation might sacrifice some short-term profit maximization but often show greater resilience and sustainability. Studies of German companies find they weather economic downturns better and show less volatility in returns.

A New Social Contract for American Business

At its core, worker representation reflects a different understanding of what companies are and whom they serve. It rejects the view that corporations exist solely to maximize shareholder returns, embracing instead a stakeholder model where success means creating value for everyone involved in the enterprise.

This view aligns with America's earliest corporate charters, which explicitly served public purposes beyond profit. It resonates with growing discussions about corporate social responsibility and sustainable business. And it addresses the fundamental imbalance in power between those who work in companies and those who make decisions about them.

The German model shows that including workers in governance doesn't undermine business success—it can enhance it. Companies benefit from better information, stronger buy-in for difficult changes, reduced conflict, and more balanced decision-making that considers both short and long-term consequences.

Worker representation isn't about replacing markets or entrepreneurship. It's about ensuring the fruits of economic activity are shared more broadly with those who help create value. It's about recognizing that work provides not just income but meaning and dignity, and that those who commit their working lives to a company deserve a voice in its future.

As America faces challenges from rising inequality to technological disruption, we need new approaches that balance growth with inclusion, innovation with stability, and shareholder interests with broader social welfare. Worker representation offers one promising path toward this more balanced economic model.

The German example shows it can work. The question for Americans is whether we're willing to learn from others' experiences and adapt them to our own conditions. Doing so might help us build an economy that delivers not just growth but broadly shared prosperity—an economy worthy of the country that pioneered democratic self-governance in the political sphere.

Laura Miller, that worker who found herself in the Volkswagen boardroom, put it this way: "I was nervous at first. But then I realized I knew things about our production process that the other board members didn't. My perspective was valuable. That's all any worker wants—to be valued for what they contribute, to have their voice heard. It's not revolutionary. It's just right."