

Gesetzliche Mitbestimmung und Kapitalrendite

Co-Determination and Return on Equity

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Co-determination, return on equity.

Summary

Many observers regard the German system of codetermination as a very strong intervention into the working of the capital market. With the introduction of the codetermination law in 1976, employee representatives in limited liability companies with more than 2000 employees are entitled to occupy half of the number of seats and are granted nearly 50% of the voting rights on the supervisory board. We investigate the impact of the introduction of the German codetermination law in 1976 which implied an extension of co-determination from third parity to almost parity on return on equity. Our estimations are based on panel data for 179 companies from 1971 to 1976 and from 1981 to 1986, thus allowing for adjustment to the 1976 law. In contrast to frequently raised fears, no negative impact is found. Our empirical results suggest a positive influence from the 1976 strengthening of co-determination law on return on equity.

Short Summary (JEL)

Many observers regard the German system of codetermination as a very strong intervention into the working of the capital market. Employee representatives are entitled to occupy half of the number of seats and are granted nearly 50% of the voting rights on the supervisory board. We investigate the impact of the German codetermination law on return on equity. In contrast to frequently raised fears, no negative impact is found. If anything, the codetermination law has improved the situation.