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Works Councils and Workers' Party Preferences in Germany

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ABSTRACT

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Research on the consequences of works councils has been dominated by economic aspects. Our study provides evidence that works councils have nonfinancial consequences for civic society that go beyond the narrow boundaries of the workplace. Using panel data from a large sample of male workers, the study shows that works councils have an influence on workers' party preferences. The presence of a works council is negatively associated with preferences for extreme right-wing parties and positively associated with preferences for the Social Democratic Party and The Left. These results holds in panel data estimations including a large set of controls and accounting for unobserved individual-specific factors. Our findings fit the notion that workplace democracy increases workers' generalized solidarity and their awareness of social and political issues.

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1. Introduction

For the last three decades or so, economists and management scholars have shown a remarkable interest in the economic consequences of works councils (Jirjahn and Smith 2018, Mohrenweiser 2022). A large number of studies have examined the influence of works councils on financial outcomes such as productivity, profitability and wages. While examining the economic consequences is undoubtedly a necessary component of evaluating works councils, a narrow focus on economic aspects does not take into account the full weight of this institution of worker representation. It is crucial to recognize that works councils can have non-financial consequences for civic society that go beyond the narrow boundaries of the workplace. Political spillover theory suggests that participation in the firm's decision making fosters workers' political interest and engagement (Budd 2014, Budd et al. 2018, Budd and Lamare 2020).[1] This also applies to works councils (Jirjahn and Le 2022).

However, works councils may not only have an influence on workers' political interest and engagement, but also on their party preferences. Examining the influence of works councils on workers' party preferences appears to be particularly important in times of globally spreading authoritarian populism and transnational right-wing extremism (Auger 2020, Guriev and Papaioannou 2022, Pantucci and Ong 2021). It provides insights into whether works councils can strengthen the functioning and resilience of democratic systems.

This study is the first to systematically examine the link between works councils and workers' party preferences. In doing so, the study focuses on the German case. The German case is particularly interesting for at least three reasons. First, while works councils

play a role in the corporate governance of firms in many European countries, German works councils have acquired more extensive powers than their counterparts in most of the other countries. Second, the overwhelming majority of studies have used German data to show that works councils substantially shape the personnel policy of firms and influence firm performance. Thus, at issue is whether works councils also have broader implications for the German civic society. Third, given Germany's history, it appears to be particularly important to examine the factors influencing the functioning of democracy in this country.

In our theoretical background discussion, we argue that works councils can have an influence on workers' party preferences for two reasons. Participating in the firm's decision making and negotiating with management increase workers' awareness that the quality of working life depends labor law legislation and, hence, on political decisions outside the firm. Greater awareness of the political dimension of work implies that workers are more likely to support parties advocating stronger labor rights and redistributive policies. Moreover, workplace democracy may lead to increased solidarity among workers. This not only reinforces the tendency of giving preference to a social democratic or left-wing party. If workers develop a sense of universal solidarity irrespective of nationality, origin and race, they should be less likely to have preferences for right-wing parties.

In Germany, the creation of a works council depends on the initiative of the firm's workforce. Thus, works councils are not present in all eligible firms. This allows conducting a within-country study comparing workers in firms with and without a works council. Using panel data from a large sample of male workers, our empirical analysis shows that the presence of a works council indeed has a significant influence on workers' party preferences. Workers in firms with a works council have stronger preferences for

worker friendly parties and are less likely to prefer extreme right-wing parties. These findings conform to the notion that workplace democracy plays a role in the functioning of civic society and, hence, has consequences that go beyond the boundaries of the workplace.

Our study not only brings a new twist to the literature on works councils. It also contributes to the general literature on political spillovers. Studies on political spillovers have mainly focused on the link between worker representation and workers' political interest and engagement (Budd and Lamare 2020). Only a few studies have examined the link between worker representation and workers' party preferences (Arndt and Rennwald 2016, 2017, Hadziabdic and Baccaro 2020, Leigh 2006, Mosimann et al. 2019).

Moreover, the empirical literature on political spillovers has predominantly considered the role of unions. Our study examines an institution of worker representation that has functions sufficiently different from those of unions. Importantly, we can isolate the influence of works councils from that of unions as our dataset enables us to control for union membership. Disentangling the roles of union and nonunion representation is particularly important in a European context where works councils are mandated in many countries and strong linkages between works councils and unions exist.

Finally, most of the previous studies on political spillovers have used cross-sectional data. This gives rise to the concern that their findings may be at least partially driven by workers' self-selection and, hence, suffer from endogeneity issues. Our panel data estimations help mitigate such concerns. The key findings not only hold in regressions including a rich set of control variables, but also persist in fixed effects estimations accounting for unobserved time-invariant influences.

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2. Institutional and Theoretical Background Discussion

In what follows we set the stage with a brief introduction into the German party system. We proceed with a discussion on works councils and their possible influence on workers' party preferences.

2.1 Political Parties in Germany

The party system in post-war Germany has undergone some substantial changes (Bräuniger et al. 2019, Poguntke 2014, Weisskircher et al. 2022). During the decades of separation, the Eastern part of the country was governed by the Socialist Unity Party of Germany (SED). In the Western part of the country, the party system consolidated into a few major parties after some initial years of partisan volatility and instability. The party system became a two-and-a-half-party contest between the Christian Democrats (the CSU in Bavaria and its national sister, the CDU) on the center right, the Social Democrats (SPD) on the center left, and the smaller Liberal Party (FDP) in the center. This party system had a remarkable integration function for about three decades. A new era of the West German party system began in the early 1980s with the entry of The Greens (Die Grünen) into the German parliament.

The next change of the system came after reunification in 1990. While the SED collapsed and political parties were largely adapted from West to East Germany, the Party of Democratic Socialism (PDS) was founded and had some sizable electoral support in the Eastern federal states. In the year 2005, the PDS and the West German party WSAG (Labor and Social Justice – The Electoral Alternative) merged. A new party, The Left (Die Linke), was founded. This left-wing party had some remarkable electoral support in both the East and the West.

Finally, a further change of the system occurred with the rise of the Alternative for Germany (AfD). The AfD was founded in the year 2013 as a Eurosceptic party, but exhibited within just a few years tendencies of a populist right-wing party. The AfD also had sizable electoral support. Thus, the recent party system of Germany can be characterized as a six-party system (Dostal 2021).

Of course, there are a series of other parties in Germany which however usually do not play an important role in elections. Most salient to our topic, post-war Germany saw the foundation of several extreme right-wing parties – specifically the National Democratic Party of Germany (NPD), The Republicans (Die Republikaner), and the German People's Union (DVU). While these parties had only very limited electoral success, they can be nonetheless seen as the tip of the iceberg. The extreme right subculture is well developed with a whole network of neo-nazi organizations and Germany has experienced a high number of violent attacks by right-wing extremism, antisemitism or xenophobia (Backes and Mudde 2000, Eger and Olzak 2022, Koehler 2018, Koopsmans and Olzak 2004, Krueger and Pischke 1997, Parkin et al. 2017).

2.2 Works Councils and Workplace Democracy

German industrial relations are characterized by a dual structure of worker representation (Behrens 2016, Keller and Kirsch 2015, Müller-Jentsch 1995, Silvia 2013). While unions negotiate over collective agreements on a broad industrial level, works councils provide a highly developed mechanism for participation in decision making at the establishment level. As laid down in the Works Constitution Act (WCA), works councils shall be elected by the whole workforce in firms with five or more employees. However, the creation of a works council depends on the initiative of the firm's workers.

The WCA 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. They 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.

Empirical studies confirm that works councils indeed have a far reaching influence on the personnel policy of firms (Jirjahn 2018, Jirjahn and Smith 2018, Mohrenweiser 2022) and even may informally extend their influence to issues that are nowhere covered by the WCA (Jirjahn and Smith 2006, Jirjahn et al. 2011). Firms with a works council pay higher wages and have 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 have a higher probability of implementing family friendly practices and promoting occupational health and safety. Moreover, they appear to have larger internal labor markets. Firms with a works council are characterized by increased employee retention and a higher tendency to pay seniority wages.

Thus, previous research suggests that works councils are an effective institution of representative worker voice. Such voice institution has the potential to contribute to workplace democracy. Workplaces without worker voice are highly authoritarian entities (D'Art and Turner 2007, Ryan and Turner 2021, Turner et al. 2020). Management

unilaterally makes decisions, determines the rules of the workplace and even structures the dominant discourse of beliefs and attitudes that construct a particular world view. A works council allows workers to challenge management authority and to raise concerns over matters affecting their working lives. Such representative voice provides a channel through which workers can influence managerial decision making and the setting of the terms and conditions of employment relationships. It enables them to bring in their own perspectives and ideas.

Works councils not only contribute to more workplace democracy by leveling the unequal playing field between management and employees. They also promote democratic processes among workers. Regular elections of works councilors are held every four years. All employees of the firm have an active and passive voting right. Once implemented a 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.

2.3 The Influence on Workers' Party Preferences

Political spillover theory suggests that participation in the firm's decision making fosters workers' political participation in civic society (Budd 2014, Budd et al. 2018, Budd and Lamare 2020, Jirjahn and Le 2022). It can lead to feelings of political effectiveness, the development of political skills, a higher awareness of political issues, and an increased solidarity among workers. However, worker participation may not only have an influence on workers' political interest and engagement, but also on their party preferences. Some of

the mechanisms that play a role in workers' political participation, are also relevant for shaping party preferences.

Participating in decision making and negotiating with management over better working conditions can promote greater political and social awareness. Workers become more educated about their rights on the job and obtain more policy-relevant information. They learn that the quality of working life depends on labor law legislation and, hence, on political decisions. Greater awareness of the political dimension of work implies that workers are likely to support parties advocating stronger labor rights.

Moreover, the democratic processes within the firm can promote values of solidarity, collective responsibility, caring and compassion. Repeated interaction with other workers in the firm, learning about other's needs and developing a sense of shared interests shape the individual worker's identity.[2] Individuals identify to a larger degree with the working class and develop a sense of "oneness". I is transformed into We. Individuals pay more attention to others' needs and welfare and have a perspective that goes beyond myopic self-interest. This increases their propensity to support parties advocating equality and redistributive policies.

Altogether, the presence of a works council should increase workers' preferences for worker-friendly parties because of a higher awareness of the political dimension of work and a stronger solidarity among workers. Thus, we can state our first hypothesis.

Hypothesis 1: The presence of a works council leads to increased preferences for social democratic and left-wing parties (SPD, The Left).

In particular, more democratic processes within the firm can imply that workers develop a sense of universal solidarity and care about the fate of the whole working class. Workers take on a broader class-based perspective and recognize that their interests are bound together irrespective of nationality, origin or race. Indeed, case studies and econometric examinations suggest that worker voice is associated with more positive attitudes toward immigration and a higher degree of integration of immigrants into the workplace (Bedaso et al. 2022, Ryan and Turner 2021, Schmidt and Müller 2021). Such increased universal solidarity suggests that workers are less likely to have preferences for right-wing parties. While right-wing parties may pretend to defend the interests of workers, they typically have an anti-immigration agenda and their populist rethoric only promotes nationalist solidarity among natives or, in a transnational context, ethnic solidarity among whites (Mosimann et al. 2019). This stands in sharp contrast to universal worker solidarity. Against this background, we state our second hypothesis.

Hypothesis 2: The presence of a works council leads to decreased preferences for extreme right-wing parties (NPD, DVU, Republicans).

We recognize that our hyptheses might be tempered by combative attempts of right-wing groups to nominate candidates for works council elections and to ideologically indoctrinate workforces (Aderholz 2021, Dörre 2018, Kim et al. 2022, Schroeder et al. 2019). These groups clearly promote nationalist solidarity and stir up fear against foreigners. The success of these groups so far has been limited. Nonetheless we are careful and stress that our hypotheses hold for a democratic environment. In such an environment, works councils can strengthen the resilience and functioning of democracy. The hypotheses may not hold

in a context where worker representation is instrumentalized by authoritarian or fascist political parties.

3. Data, Variables and Estimation Methods

3.1 The Data Set

We draw our data from the Socio-Economic Panel (SOEP). The SOEP is a large representative longitudinal survey of private households in Germany (Goebel et al. 2019). The survey is administered by the German Economic Institute (DIW). Infratest Sozialforschung, a professional survey and opinion institute, conducts the face-to-face interviews. Routine socio-economic and demographic questions are asked annually. Different 'special' topic questions appear in specific waves.

We use panel data from the waves 2006, 2011, 2016 and 2019. These waves provide both information on works councils and information on party preferences.[3] We consider native workers aged eighteen to sixty-five years in private sector firms with at least five employees. We do not consider employees with extensive managerial duties, as the WCA does not apply to managers. We also exclude marginally employed individuals (monthly earnings of below 450 Euros) and those working for an employment agency. The former usually work only a few hours while the latter very frequently change the firm they have to work for.

In our analysis, we focus on men. This has a very pragmatic reason. Women are less likely to express any preferences for a political party than men.[4] This makes it very difficult to analyze the determinants of women's party preferences with the data – specifically when it comes to small parties which are only preferred by a low share of workers.

3.2 Dependent Variables

Our dependent variables for party preferences are built from a three-stage question asking first whether or not the interviewee leans towards a particular party. Second, if the interviewee answers in affirmative, he is asked to indicate the particular party he supports. Third, the interviewee is asked to report the strength of his preference for this party on a five-point Likert scale ranging from "very weak" to "very strong".

From the answers to this three-stage question, we construct ordered variables for preferences towards the following political parties: (1) Social Democratic Party, (2), The Left, (4) The Greens, (3) Liberal Party, (4) Christian Democratic Party (CDU or CSU), (5) extreme right-wing party (NPD, DVU or Republicans), and (6) another party. For each of these parties, the corresponding ordered variable measures the interviewee's preferences on a six-point scale ranging from 0 "no party preferences at all/no preference for the respective party" to 5 "strong preference for the respective party." Information on the preference for the AfD is only availabe for the years 2016 and 2019. Thus, we subsume it under the category "another party."

Table 1 shows the definition and distribution of the dependent variables. For each party, we have a high share of observations falling into the category of "no party preferences at all/no preferences for this party." This is to a large part driven by persons who have no party preferences. In our sample, there are 56.32 percent of persons who have no party preferences at all. This reflects a process of partisan dealignment that has been going on in Germany and other affluent democracies for several decades (Dalton 2002, 2014, Dassonneville et al. 2012).

3.3 Explanatory Variables

Table 2 shows the definitions and descriptive statistics of the explanatory variables which are of primary interest. Our key explanatory variable captures the presence of a works council. Importantly, the data not only provides information on whether a works council is present in the firm the worker is employed in. It also provides information on whether the worker himself is a works councilor. This allows distinguishing between worker representatives and those represented by a works council. Thus, we include a dummy variable equal to one if a worker is employed in a firm with a works council and is not a works councilor himself. In order to examine if being a worker representative has a special influence on an individual's party preferences, we also include a dummy equal to one if he is a works councilor. The reference group consists of workers employed in firms without a works council.

We also include a dummy for union membership. Workers in firms with a works council have a higher likelihood of being union members (Bedaso et al. 2022, Behrens 2009, Jirjahn 2021). Thus, it is important to disentangle the influences of works council presence and union membership.

The dataset provides a rich set of control variables. Appendix Table A1 shows their definitions and descriptive statistics. Party preferences may be also influenced by other work-related factors (Arndt and Rennwald 2017). Thus, we control for firm size, tenure, working hours, occupation, industry, and having a fixed-term contract. Moreover, as stressed by Budd and Lamare (2020), the worker's earnings may be a confounding factor when estimating the influence of worker representation on political preferences. Indeed, most studies show that the presence of a works council is associated with higher wages

(Mohrenweiser 2022). Thus, in order to avoid that an estimated link between works council presence and workers' party preferences simply reflects higher wages, we control for earnings.

Furthermore, we include variables for education, age, marital status, number of children, health, and disability to capture the worker's socio-demographic background. We also account for home ownership (Huber and Montag 2020), household debt and unemployment experience as possible determinants of political attitudes. The regressions additionally include federal state dummies and a dummy for residing in an urban area to take into account that regional factors play a role in political attitudes (Dill 2013, Voigtländer and Voth 2012a, 2012b). Finally, we control for the year of observation.

3.4 Methodology

In what follows, we will provide both random effects and fixed effects ordered logit estimations. The random effects and the fixed effects model both decompose the error term of the regression into two parts, a time-varying and an individual-specific time-invariant component. A potential shortcoming of the random effects model is the requirement that the individual-specific time-invariant effects are independent of the explanatory variables (Cameron and Trivedi 2005). By contrast, the fixed effects model allows for any correlation of these effects with the explanatory variables. It accounts for possible endogeneity of the explanatory variables that is due to time-invariant unobserved variables. Thus, the fixed effects model is more suited to address a possible self-selection of workers on unobserved time-invariant characteristics (i.e., unobserved worker characteristics may influence both political preferences and the sorting into firms with a works council).[5]

While estimating a random effects ordered logit model is quite standard, estimating a fixed effects ordered logit model requires some explanation. Here we use the blow-up and cluster estimator implemented in *Stata* (Baetschmann et al. 2015, Baetschmann et al. 2020). In order to avoid the incidental parameters problem, the outcome categories of the ordered dependent variable are dichotomized into binary variables by using clones of each individual's observations. These binary variables are combined back into one likelihood function to provide a single set of estimates. The dichotomization allows applying the well-known conditional maximum likelihood estimator (Chamberlain 1980).

However, the fixed effects approach also has its limitations. While the random effects model uses both the within and between variation in the variables, the fixed effects model throws away the between variation and only uses the within variation contained in the data. Singleton observations and observations from individuals who have no changes in the variables are not considered. Thus, the number of observations is usually smaller than in the random effects approach.

4. Empirical Analysis

Table 3 provides the key results of both random effects and fixed effects ordered logit estimations.[6] For the random effects estimations, the table not only shows coefficients, but also average marginal effects calculated on the probability of answering one of the three highest categories (modest, strong or very strong preference) of the six-point Likert scale. For the fixed effects ordered logit estimations, we follow the usual procedure and only provide coefficients. The underlying conditional fixed effects logit does not deliver estimates of the individual-specific fixed effects that can be used when calculating marginal effects.

Union membership is positively associated with preferences for the Social Democratic Party and negatively associated with preferences for the Liberal Party. These findings are significant in both the random effects and the fixed effects estimations. There is also some evidence that union membership is positively associated with preferences for The Left and negatively associated with preferences for a Christian Democratic Party. However, these associations are only significant in the random effects estimates.

Most salient to our topic, being represented by a works council is a significantly positive determinant of preferences for a Social Democratic Party and preferences for The Left. This holds in both the random effects and the fixed effects estimations. The influences of works council representation are quantitatively substantial. Works council representation increases the probability of having modest or stronger preferences for the Social Democratic Party by 1.9 percentage points. Taking into account that we have 11.06 percent of observations with modest or stronger preferences for the Social Democratic Party in our sample, this implies an increase by about 17 percent. Considering The Left, works council representation is associated with a 0.9 percentage point higher likelihood of having modest or stronger preferences for this party. Given that there are 2.99 percent of observations with these preferences in our data, this implies an increase by about 30 percent. Altogether, the findings conform to Hypothesis 1. Participation in the firm's decision making increases workers' political and social awareness and promotes their solidarity with the working class. Thus, workers are more likely to support parties advocating stronger labor rights, equality and redistributive policies.

Moreover, both the random effects and the fixed effects estimates show that works council representation is a significantly negative determinant of preferences for an extreme

right-wing pary. This negative influence is also quantitatively substantial. Being represented by a works council reduces the probability of having modest or stronger preferences for an extreme right-wing party by 0.4 percentage points. Taking into account that we have 0.8 percent of observations with modest or stronger prefences for extreme right-wing parties, this implies a decrease by 50 percent. The finding of a negative influence of works council representation on preferences for extreme right-wing parties provides empirical support for Hypothesis 2. Workplace democracy leads workers to develop a sense of universal solidarity irrespective of nationality, origin or race. This makes it less likely that they support extreme right-wing parties as these parties have a strong populistic rethoric and a pronounced anti-immigration agenda.

Finally, being a works councilor has a significantly positive influence on preferences for the Social Democratic Party and for The Left. This finding holds in both the random effects and the fixed effects estimations. Being a works councilor is associated with a 5.1 percentage point higher probability of having modest or stronger preferences for the Social Democratic Party and with a 3.1 percentage point higher probability of having modest or stronger preferences for the Left. Thus, being a works councilor has an even stronger influence on preferences for the Social Democratic Party and The Left than being represented by a works council. This makes sense. Being a works councilor means that an individual is particularly concerned with social issues and questions of labor law. This makes it much more likely that the individual reflects the political dimension of work.

The estimates do not reveal a significant association of being a works councilor and preferences for an extreme right-wing party. However, it has to be taken into account that we have both a low share of works councilors and an even lower share of individuals with

preferences for extreme right-wing parties in our data. This may make difficult to identify a significant relationship.

5. Conclusions

Our study provides evidence that works councils have consequences for civic society that go beyond the narrow boundaries of the workplace. The presence of a works council in the workplace influences workers' party preferences. Using panel data from a large sample of male workers, the results show that works councils provide a democratic dividend. Workers are less likely to have preferences for a extreme right-wing party if a works council is present. The finding fits the notion that workplace democracy leads workers to develop a general sense of solidarity with the working class irrespective of nationality, origin or race. This is an important result in times of spreading authoritarian populism and and right-wing extremism.

Furthermore, our analysis shows that the presence of a works council has a positive influence on preferences for the Social Democratic Party and for the Left. This finding also fits theoretical expectations. Workplace democracy not only increases workers' solidarity, but also their awareness of the political dimension of work. This increases their propensity to support parties advocating stronger labor rights, equality and redistributive policies.

Of course, the positive influence of works councils on workers' preferences for worker friendly parties may spark political backlash. While the Social Democrats and The Left have an incentive to strengthen the rights of works councils, the opposite holds true for the Christian Democrats and the Liberals. The basic point is that the stand a political party takes on works councils may be at least partially driven by political self-interest. Workplace democracy influences workers' political preferences implying that some parties

will be losers and other parties will be winners. This makes it even more important that science provides objective knowledge about the functioning of works councils.

We emphasize that future research on the political dimension of works councils is certainly warranted. First, we recognize that there are recent attempts by right-wing groups to instrumentalize worker representation. While these groups have not been very successful so so far, continued research is required to examine if they will gain more influence in the future. Second, it would be interesting to expand our analysis to other countries where works councils are present. The participation rights of works councils differ between countries. For example, works councils also have strong participation rights in the Netherlands while their rights are less strong in France and Belgium. Examining the influence of works councils on workers' party preferences in different countries could give an answer to the question of how strong worker representation neeeds to be to have an influence on party preferences.

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Table 1: Definition and Distribution of the Dependent Variables

Variable	Definition	Relative Frequency					
		0 *No party preferences at all / no preference for this party*	1 *Very weak preference*	2 *Weak preference*	3 *Modest preference*	4 *Strong preference*	5 *Very strong preference*
The Left	Ordered variable capturing the employee's preference for the The Left (Die Linke).	96.81	0.00	0.21	1.47	1.31	0.21
Social Democratic Party	Ordered variable capturing the employee's preference for the Social Democratic Party (SPD).	88.29	0.11	0.55	6.31	3.80	0.95
The Greens	Ordered variable capturing the employee's preference for the The Greens (Die Grünen).	93.33	0.00	0.22	2.95	3.11	0.39
Liberal Party	Ordered variable capturing the employee's preference for the Liberal Party (FDP).	97.78	0.03	0.11	1.12	0.84	0.11
Christian Democratic Party	Ordered variable capturing the employee's preference for a Christian Democratic Party (CDU or CSU).	84.44	0.09	0.55	7.99	5.98	0.95
Extreme Right-wing Party	Ordered variable capturing the employee's preference for an extreme right-wing party (NPD, DVU or Republicans).	99.10	0.05	0.05	0.44	0.25	0.11
Other Party	Ordered variable capturing the employee's preference for another party.	96.58	0.03	0.17	1.29	1.35	0.58

N = 8,768

Table 2: Variable Definitions and Descriptive Statistics of the Key Explanatory Variables

Variable	*Definition (Mean, Std.Dev.)*
Works council	Dummy equals 1 if a works council is present in the firm and the employee is not a works councilor (0.530, 0.499).
Works councilor	Dummy equals 1 if a works council is present in the firm and the employee is a works councilor (0.039, 0.195).
Union member	Dummy equals 1 it the employee is member of a trade union (0.191, 0.393).

N = 8,768

Table 3: Determinants of Party Preferences

Variable	Random Effects Odered Logit (1)	Fixed Effects Ordered Logit (2)
	The Left	
Works council	0.722 [0.009] (1.80)*	1.272 (1.84)*
Works councilor	1.871 [0.031] (3.06)***	2.458 (2.18)**
Union member	1.290 [0.017] (3.38)***	0.097 (0.12)
Log likelihood	-1,234.923	-212.628
Number of employees	5,454	104
Number of observations	8,768	265
	Social Democratic Party	
Works council	0.476 [0.019] (2.26)**	0.730 (2.06)**
Works councilor	1.162 [0.051] (3.46)***	2.085 (2.43)**
Union member	1.381 [0.058] (6.93)***	1.249 (3.14)***
Log likelihood	-3,624.922	-697.869
Number of employees	5,454	349
Number of observations	8,768	900
	The Greens	
Works council	-0.166 [-0.004] (0.60)	-0.336 (0.66)
Works councilor	-0.267 [-0.006] (0.45)	-1.534 (1.29)
Union member	-0.187 [-0.004] (0.60)	1.367 (1.63)
Log likelihood	-2,088.783	-368.436
Number of employees	5,454	182
Number of observations	8,768	471
	Liberal Party	
Works council	-0.057 [-0.001] (0.14)	-0.195 (0.23)
Works councilor	-0.732 [-0.007] (0.75)	0.117 (0.05)
Union member	-1.362 [-0.012] (2.30)**	-3.429 (2.54)**
Log likelihood	-968.485	-89.197

Number of employees	5,454	69
Number of observations	8,768	174

	Christian Democratic Party	
Variable		
Works council	-0.230 [-0.011]	-0.012
	(1.28)	(0.04)
Works councilor	-0.028 [-0.001]	-0.726
	(0.07)	(1.13)
Union member	-0.683 [-0.033]	0.263
	(3.23)***	(0.68)
Log likelihood	-4,353.090	-918.071
Number of employees	5,454	386
Number of observations	8,768	1,002

	Extreme Right-wing Party	
Variable		
Works council	-1.202 [-0.004]	-3.505
	(2.08)**	(2.36)**
Works councilor	-1.572 [-0.005]	0.766
	(1.02)	(0.20)
Union member	0.455 [0.002]	-2.307
	(0.63)	(1.24)
Log likelihood	-414.140	-36.331
Number of employees	5,454	32
Number of observations	8,768	84

	Other Party	
Variable		
Works council	0.083 [0.002]	0.453
	(0.31)	(0.69)
Works councilor	0.132 [0.003]	-0.755
	(0.23)	(0.54)
Union member	-0.226 [-0.004]	1.011
	(0.81)	(1.03)
Log likelihood	-1,506.896	-229.119
Number of employees	5,454	133
Number of observations	8,768	346

The table shows the estimated coefficients. Z-values in parentheses are based on standard errors clustered at the employee level. Marginal effects are in square brackets. Marginal effects are calculated on the probability of answering one of the three highest categories of the six-point Likert scale. *** p < 0.01, ** p < 0.05, * < 0.10. Control variables are included, but are suppressed to save space.

Appendix

Table A1: Definitions and Descriptive Statistics of the Control Variables

Variable	Definition (Mean, Std.Dev.)
Earnings	The employee's annually gross earnings (43445.66, 28563.05).
Earnings squared	The employee's annually gross earnings squared (2.70e+09, 4.66e+09).
Debt	Debt of the household in Euro (94.347, 198.233).
Education	The employee's years of schooling (12.629, 2.579).
Age	The employee's age (43.771, 11.347).
Health	Ordered variable for the employee's health status. The variable ranges from 1 "bad" to 5 "very good" (3.557, 0.833).
Disability	Dummy equals 1 if the employee is disabled (0.070, 0.256).
Partner	Dummy equals if the employee is married or cohabiting (0.622, 0.485).
Number of children	Number of children under 18 years in the household (0.741, 1.029).
Home ownership	Dummy equals 1 if the employee owns his house or flat (0.568, 0.495).
Urban area	Dummy equals 1 if the employee lives in an urban area (0.614, 0.487).
Unemployment experience	The employee's total length of unemployment experience in years (0.537, 1.490).
Unemployment experience squared	The employee's total length of unemployment squared (2.509, 16.794).
Working hours	Number of weekly hours the employee actually works including possible overtime (43.521, 7.630).
Working hours squared	Number of weekly hours squared (1952.324, 700.252).
Tenure	The employee's tenure with the firm in years (12.055, 10.453).
Temporary contract	Dummy equals 1 if the employee has a temporary employment contract (0.094, 0.291).
Firm size 20–199	Dummy equals 1 if the employee works in a firm with 20–199 employees (0.311, 0.463).
Firm size 200–1999	Dummy equals 1 if the employee works in a firm with 200–1999 employees (0.232, 0.422).
Firm size ≥ 2000	Dummy equals 1 if the employee works in a firm with 2000 or more employees (0.288, 0.453).
Region dummies	Fifteen federal state dummies.
Occupation dummies	Nine occupation dummies.
Industry dummies	Eight industry dummies.
Year dummies	Three dummies for the year of observation.

N = 8,768

Table A2: Determinants of Preferences for The Left

Variable	Random Effects Orderd Logit (1)	Fixed Effects Ordered Logit (2)
Works council	0.722 (1.80)*	1.272 (1.84)*
Works councilor	1.871 (3.06)***	2.458 (2.18)**
Union member	1.290 (3.38)***	0.097 (0.12)
Earnings	-0.22e-04 (1.55)	5.36e-06 (0.15)
Earnings squared	4.56e-11 (0.89)	-6.45e-11 (0.31)
Debt	0.001 (2.59)***	0.001 (0.42)
Education	0.432 (5.28)***	
Age	0.051 (2.78)***	0.105 (1.20)
Health	-0.167 (1.03)	-0.069 (0.23)
Disability	0.285 (0.59)	
Partner	-0.019 (0.05)	
Number of children	-0.099 (0.61)	
Home ownership	-0.634 (1.97)**	
Urban area	0.707 (1.85)*	
Unemployment experience	0.303 (1.58)	0.298 (0.18)
Unemployment experience squared	-0.028 (1.61)	-0.393 (0.77)
Working hours	0.133 (1.45)	0.347 (1.30)
Working hours squared	-0.001 (1.44)	-0.004 (1.47)
Tenure	-0.040 (2.06)**	-0.032 (0.60)
Temporary contract	0.516 (1.05)	
Firm size 20–199	0.209 (0.52)	-0.743 (1.10)
Firm size 200–1999	0.228 (0.47)	-0.714 (0.84)
Firm size ≥ 2000	-0.798 (1.40)	-2.285 (2.13)**

Region dummies	Included	Included
Occupation dummies	Included	Included
Industry dummies	Included	Included
Year dummies	Included	Included
Log likelihood	-1328.904	-212.628
Number of employees	5,454	104
Number of observations	8,768	265

The table shows the estimated coefficients. Z-values in parentheses are based on standard errors clustered at the employee level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table A3: Determinants of Preferences for Social Democratic Party

Variable	Random Effects Orderd Logit (1)	Fixed Effects Ordered Logit (2)
Works council	0.476 (2.26)**	0.730 (2.06)**
Works councilor	1.162 (3.46)***	2.085 (2.43)**
Union member	1.381 (6.93)***	1.249 (3.14)***
Earnings	-9.21e-06 (1.14)	-1.96e-05 (1.30)
Earnings squared	3.98e-11 (1.19)	7.47e-11 (0.73)
Debt	-0.17e-03 (0.49)	0.001 (0.99)
Education	0.018 (0.43)	
Age	0.059 (5.36)***	-0.114 (2.62)***
Health	0.096 (1.08)	0.157 (1.01)
Disability	0.645 (2.34)**	
Partner	0.167 (0.87)	
Number of children	-0.042 (0.52)	
Home ownership	-0.195 (1.15)	
Urban area	-0.200 (0.89)	
Unemployment experience	-0.155 (1.34)	-2.159 (2.66)***
Unemployment experience squared	0.014 (1.81)*	0.353 (3.15)***
Working hours	0.007 (0.12)	0.061 (0.65)
Working hours squared	-0.20e-03 (0.34)	-0.001 (0.62)
Tenure	-0.40e-03 (0.04)	-0.036 (1.32)
Temporary contract	-0.569 (1.40)	
Firm size 20–199	0.266 (1.01)	-0.187 (0.44)
Firm size 200–1999	0.131 (0.42)	-0.715 (1.43)
Firm size ≥ 2000	-0.080 (0.24)	-0.837 (1.57)

Region dummies	Included	Included
Occupation dummies	Included	Included
Industry dummies	Included	Included
Year dummies	Included	Included
Log likelihood	-3876.229	-697.869
Number of employees	5,454	349
Number of observations	8,768	900

The table shows the estimated coefficients. Z-values in parentheses are based on standard errors clustered at the employee level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table A4: Determinants of Preferences for The Greens

Variable	Random Effects Orderd Logit (1)	Fixed Effects Ordered Logit (2)
Works council	-0.166	-0.336
	(0.60)	(0.66)
Works councilor	-0.267	-1.534
	(0.45)	(1.29)
Union member	-0.187	1.367
	(0.60)	(1.63)
Earnings	0.21e-04	3.35e-06
	(2.15)**	(0.13)
Earnings squared	-1.11e-10	7.83e-11
	(2.49)**	(0.43)
Debt	-0.001	-0.001
	(1.06)	(1.25)
Education	0.461	
	(7.99)***	
Age	0.046	0.286
	(3.26)***	(4.31)***
Health	0.279	-0.018
	(2.34)**	(0.10)
Disability	0.254	
	(0.58)	
Partner	-0.376	
	(1.39)	
Number of children	0.077	
	(0.68)	
Home ownership	0.027	
	(0.11)	
Urban area	0.450	
	(1.49)	
Unemployment experience	0.328	-1.541
	(0.88)	(0.76)
Unemployment experience squared	-0.187	0.732
	(1.97) **	(1.01)
Working hours	-0.030	0.043
	(0.46)	(0.30)
Working hours squared	-0.001	-0.001
	(0.67)	(0.51)
Tenure	-0.032	-0.017
	(2.29)**	(0.43)
Temporary contract	-0.097	
	(0.19)	
Firm size 20–199	-0.090	-0.484
	(0.27)	(0.85)
Firm size 200–1999	0.115	-0.116
	(0.30)	(0.17)
Firm size ≥ 2000	0.360	0.591
	(0.87)	(0.78)

Region dummies	Included	Included
Occupation dummies	Included	Included
Industry dummies	Included	Included
Year dummies	Included	Included
Log likelihood	-2266.908	-368.436
Number of employees	5,454	182
Number of observations	8,768	471

The table shows the estimated coefficients. Z-values in parentheses are based on standard errors clustered at the employee level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table A5: Determinants of Preferences for Liberal Party

Variable	Random Effects Orderd Logit (1)	Fixed Effects Ordered Logit (2)
Works council	-0.057 (0.14)	-0.195 (0.23)
Works councilor	-0.732 (0.75)	0.117 (0.05)
Union member	-1.362 (2.30)**	-3.429 (2.54)**
Earnings	0.27e-04 (1.92)*	0.58e-04 (1.16)
Earnings squared	-3.35e-11 (0.67)	-2.13e-10 (0.92)
Debt	0.44e-03 (0.71)	0.001 (0.78)
Education	0.173 (2.03)**	
Age	-0.062 (2.51)**	-0.530 (2.83)***
Health	-0.005 (0.03)	-0.031 (0.07)
Disability	-0.203 (0.30)	
Partner	0.097 (0.24)	
Number of children	-0.355 (2.21)**	
Home ownership	0.238 (0.69)	
Urban area	0.124 (0.30)	
Unemployment experience	0.226 (0.62)	-4.985 (1.92)*
Unemployment experience squared	-0.041 (0.81)	3.320 (2.23)**
Working hours	-0.017 (0.16)	0.164 (0.80)
Working hours squared	-0.62e-04 (0.06)	-0.004 (1.22)
Tenure	-0.023 (0.99)	-0.100 (1.25)
Temporary contract	0.245 (0.34)	
Firm size 20–199	-0.664 (1.28)	-1.671 (0.77)
Firm size 200–1999	-0.206 (0.35)	1.978 (0.95)
Firm size ≥ 2000	-0.388 (0.63)	1.093 (0.53)

Region dummies	Included	Included
Occupation dummies	Included	Included
Industry dummies	Included	Included
Year dummies	Included	Included
Log likelihood	-1037.085	-89.197
Number of employees	5,454	69
Number of observations	8,768	174

The table shows the estimated coefficients. Z-values in parentheses are based on standard errors clustered at the employee level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table A6: Determinants of Preferences for Christian Democratic Parties

Variable	Random Effects Orderd Logit (1)	Fixed Effects Ordered Logit (2)
Works council	-0.230 (1.28)	-0.012 (0.04)
Works councilor	-0.028 (0.07)	-0.726 (1.13)
Union member	-0.683 (3.23)***	0.263 (0.68)
Earnings	0.16e-04 (2.27) **	-0.12e-04 (1.01)
Earnings squared	-2.90e-11 (0.97)	3.37e-11 (0.71)
Debt	0.99e-04 (0.29)	1.284e-04 (0.26)
Education	-0.049 (1.27)	
Age	0.036 (3.61)***	-0.087 (2.28)**
Health	0.189 (2.24)**	0.048 (0.36)
Disability	-0.353 (1.25)	
Partner	0.015 (0.09)	
Number of children	0.080 (1.16)	
Home ownership	0.345 (2.26)**	
Urban area	-0.642 (3.31)***	
Unemployment experience	-0.291 (2.16)**	-0.715 (0.52)
Unemployment experience squared	0.006 (0.59)	-0.195 (0.59)
Working hours	-0.074 (1.59)	-0.087 (1.23)
Working hours squared	0.001 (2.00)**	0.001 (1.27)
Tenure	0.007 (0.77)	0.013 (0.68)
Temporary contract	0.423 (1.23)	
Firm size 20–199	0.008 (0.04)	0.317 (1.00)
Firm size 200–1999	0.110 (0.44)	0.140 (0.33)
Firm size ≥ 2000	0.176 (0.67)	0.222 (0.53)

Region dummies	Included	Included
Occupation dummies	Included	Included
Industry dummies	Included	Included
Year dummies	Included	Included
Log likelihood	-4683.338	-918.071
Number of employees	5,454	386
Number of observations	8,768	1,002

The table shows the estimated coefficients. Z-values in parentheses are based on standard errors clustered at the employee level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table A7: Determinants of Extreme Right-wing Parties

Variable	Random Effects Orderd Logit (1)	Fixed Effects Ordered Logit (2)
Works council	-1.202 (2.08)**	-3.505 (2.36)**
Works councilor	-1.572 (1.02)	0.766 (0.20)
Union member	0.455 (0.63)	-2.307 (1.24)
Earnings	0.20e-04 (0.45)	0.001 (1.17)
Earnings squared	-4.48e-10 (0.82)	-1.14e-08 (1.28)
Debt	0.001 (1.54)	0.007 (0.80)
Education	-0.289 (1.89)*	
Age	-0.076 (2.46)**	-0.494 (1.19)
Health	0.082 (0.24)	-0.766 (0.34)
Disability	0.662 (0.84)	
Partner	-0.691 (1.11)	
Number of children	0.030 (0.13)	
Home ownership	-0.935 (1.70)*	
Urban area	-0.541 (1.08)	
Unemployment experience	0.638 (1.61)	-7.519 (1.90)*
Unemployment experience squared	-0.081 (1.52)	0.533 (1.81)*
Working hours	-0.189 (1.55)	-0.982 (2.64)***
Working hours squared	0.002 (1.85)*	0.010 (2.44)**
Tenure	-0.028 (0.74)	-0.121 (0.45)
Temporary contract	0.747 (1.15)	
Firm size 20–199	0.178 (0.35)	0.677 (0.20)
Firm size 200–1999	-0.931 (1.17)	-6.369 (1.49)
Firm size $\geq$ 2000	1.083 (1.36)	1.551 (0.57)

	Included	Included
Region dummies	Included	Included
Occupation dummies	Included	Included
Industry dummies	Included	Included
Year dummies	Included	Included
Log likelihood	-441.776	-36.331
Number of employees	5,454	32
Number of observations	8,768	84

The table shows the estimated coefficients. Z-values in parentheses are based on standard errors clustered at the employee level. *** p < 0.01, ** p < 0.05, * p < 0.1.

Table A8: Determinants of Preferences for Other Party

Variable	Random Effects Orderd Logit (1)	Fixed Effects Ordered Logit (2)
Works council	0.083	0.453
	(0.31)	(0.69)
Works councilor	0.132	-0.755
	(0.23)	(-0.54)
Union member	-0.226	1.011
	(0.81)	(1.03)
Earnings	5.04e-05	6.18e-05
	(2.84)***	(2.01)**
Earnings squared	-3.87e-10	-4.73e-10
	(2.50)**	(2.48)**
Debt	-1.90e-04	-0.001
	(0.41)	(1.08)
Education	-0.104	
	(1.75)*	
Age	-0.007	0.181
	(0.59)	(0.93)
Health	-0.232	-0.008
	(1.94)*	(0.03)
Disability	0.364	
	(1.04)	
Partner	0.152	
	(0.62)	
Number of children	0.009	
	(0.09)	
Home ownership	-0.065	
	(0.31)	
Urban area	0.151	
	(0.62)	
Unemployment experience	0.461	10.524**
	(3.55)***	(2.15)
Unemployment experience squared	-0.031	-2.048**
	(2.52)**	(2.01)
Working hours	0.024	0.054
	(0.39)	(0.42)
Working hours squared	-4.71e-04	-1.61e-04
	(0.67)	(0.10)
Tenure	-0.030	0.056
	(2.35)**	(0.84)
Temporary contract	-0.316	
	(0.75)	
Firm size 20–199	-0.208	0.769
	(0.77)	(1.37)
Firm size 200–1999	-0.357	0.243
	(1.01)	(0.33)
Firm size $\geq$ 2000	-0.127	-0.100
	(0.34)	(0.12)

Region dummies	Included	Included
Occupation dummies	Included	Included
Industry dummies	Included	Included
Year dummies	Included	Included
Log likelihood	-1568.150	-229.119
Number of employees	5,454	133
Number of observations	8,768	346

The table shows the estimated coefficients. Z-values in parentheses are based on standard errors clustered at the employee level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Endnotes

[1] The idea that experience with decision-making participation in firms builds effective participation in democratic processes goes back at least to J.S. Mill (1848). It has been revived by political theorists (Pateman 1970) and advocates of labor-managed firms (Vanek 1971). See Greenberg (1981) and Smith (1985) for some early empirical studies on the political spillover theory.

[2] See Akerlof and Kranton (2000) for a formal economic model of identity.

[3] The 2001 wave also provides information on works councils and party preferences. We do not use this wave for two reasons. First, in 2001, the question on preferences for extreme right-wing parties only captured the DVU and the Republicans, but not the NPD. Second, The Left was not in existence in 2001.

[4] The reason for the frequent absence of any party preferences among women is a lower political interest (Campbell et al. 1960, Fraile and Gomez 2017, Glatte and de Vries 2015, Jennings 1983). Women's lower political interest reflects traditional gender roles. These gender roles involve that political engagement is more of a male than a female characteristics. As suggested by Jirjahn and Le (2022), this makes it difficult for women to develop political interest even when there is a works council in the firm.

[5] Of course, in the end, the question of whether there exists a self-selection issue can only be answered empirically. On the one hand, one may call into question if a self-selection of workers plays a role in our context. The presence of a works council is not a decision made by the individual worker. It depends on the decision of the workforce and this decision is influenced by firm characteristics such as firm size or firm age (Jirjahn 2009, Jirjahn and Smith 2006). On the other hand, workers are more or less mobile and decide about the firm they work for. Hence, individual worker characteristics can influence the sorting into firms with works councils (Jirjahn and Lange 2015).

[6] Control variables are included in the regressions, but are suppressed to save space. See the Appendix for the full results.