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(Dis-)Owning the Corporation: Three Models of Employee-Shareholder Activism

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(Dis-)Owning the Corporation: Three Models of Employee-Shareholder Activism

NATASCHA VAN DER ZWAN

This article focuses on the experimentation with shareholder activism by employee representatives in several large German corporations. I argue that these experiments are a manifestation of a new politics of solidarity that has emerged in the wake of the financialisation process in Germany. What unites the employee-shareholder activists is a strong rejection of short-term shareholder value maximisation, particularly as it affects the corporation's employees. To this end, they have created of a new form of interest organisation, the so-called employee shareholder associations (*Vereine der Belegschaftsaktionäre* or ESAs) that have institutionalised local practices of employee-shareholder activism within German corporations. In this article, I will take a closer look at three ESAs and their activities, each representing a different type of employee-shareholder activism: a 'front door strategy' at Deutsche Telekom, a 'back door strategy' at Siemens, and 'peeking through the window' at TUI. This article will demonstrate that shareholder activism by local employee representatives offers an innovative variation on the typical conflict lines within the corporation identified by scholars of corporate governance.

Keywords: Corporate governance, industrial relations, shareholder activism, organised labour, Germany

On 3 May 2007, around 1000 disgruntled employees of Deutsche Telekom entered the company's annual meeting for its shareholders in the Kölnarena in Cologne, Germany. Dressed in the red of the company colour and loudly interrupting the speech of CEO René Obermann, these employees were both members of the local chapter of labour union ver.di and shareholders of the corporation. The employee-shareholders attended the annual meeting to protest a planned restructuring initiative at the corporation that involved the outsourcing of the 80,000 employees of three customer service departments to a subsidiary company,

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T-Service. To save costs, the new T-Service employees would have to work an extra four hours a week at nine per cent less pay. The local chapter of labour union ver.di adamantly opposed the restructuring plans and mobilised the corporation's numerous employee-shareholders as part of its campaign to block the proposal. As employee-shareholders delegated the voting rights associated with their shares to the union, local labour leaders entered the annual meeting and called on other shareholders to withdraw support for corporate management.

The involvement of employee-shareholders in the labour conflict at Deutsche Telekom is remarkable in two respects. First, employee ownership has been relatively limited in Germany, not in the least because of long-term opposition of employer associations and labour unions (European Federation of Employee Share Ownership 2009). Employers fear a loss of managerial control should employees leverage their acquired ownership stakes in German corporations, while labour unions openly reject employee ownership as a functional equivalent to co-determination, the representation of employees on the board of directors and on works councils. Second, organised labour in Germany has been highly suspicious of leveraging employee-owned capital to change corporate policies. Unions such as metalworkers' union IG Metall (Germany's largest labour union) or service union ver.di worry that representing workers as shareholders in addition to collective bargaining and co-determination will lead to an overrepresentation of employees in the corporation. They fear that such an overrepresentation could lead to a withdrawal of German employers from the institutions of co-determination and collective bargaining.

In rejecting shareholder activism, German unions have differed from organised labour in, by way of illustration, the United States, where unions use the capital accumulated in multi-employer and staff retirement funds to engage in shareholder activism as an alternative form of employee representation. Since the mid-1970s, American labour unions – particularly in the construction and service industries – have employed the voting rights attached to the shares owned by these pension funds to vote proxies at annual shareholder meetings, propose shareholder resolutions and engage in informal dialogue with corporate management. Issues addressed by these union-shareholders have included working conditions within the targeted corporations, as well as matters of corporate governance and broader social issues, such as health care reform or international labour standards. Often, American unions have used their positions as shareholders to question corporate policies aimed at short-term shareholder value maximisation at the expense of workers' jobs, wages and benefits. Today, American unions, such as the United Brotherhood of Carpenters and Joiners of America (UBCJA) and the International Brotherhood of Teamsters (IBT), are among the most prolific shareholder activists in the United States (cf. Schwab and Thomas 1998; Jacoby 2008; Marens 2004).

Nonetheless, I will demonstrate in this article that the scepticism of shareholder activism among the leadership of German labour unions has not precluded experimentation with such strategies by employee representatives at the local level. In fact, since the mid-1990s local labour activists have experimented with shareholder activism in some of the largest German corporations. In this article, I argue that these experiments are a manifestation of a new politics of solidarity that has emerged in the wake of the financialisation process in Germany. What unites the employee-shareholder activists is a strong rejection of short-term shareholder value maximisation, particularly as it affects the corporation's employees. This rejection of shareholder value maximisation at the expense of employees has at times positioned the employee-shareholders against corporate managers who introduced pro-shareholder policies. On other occasions, employee-shareholders have targeted activist investors of the corporation pushing for a similar agenda. At the same time, employee-shareholders have carried out their activities with a strong commitment to pre-existing arrangements for co-determination within the firm. This commitment has ranged from a strict independence from the local labour union or works council to more formal cooperation with other forms of organised labour in specific labour conflicts.

Consequently, shareholder activism by local employee representatives offers an innovative variation on the typical conflict lines within the corporation identified by corporate governance scholars.[1] The employee-shareholders have embarked on a project of 'institutional conversion,' to use Streeck and Thelen's terminology (2005), whereby they redirect the institutions of corporate governance towards the solution of political conflicts resulting from the realm of industrial relations. Particularly, employee-shareholder groups have entered the annual shareholder meeting to voice their concerns over issues of job protection and working conditions, topics normally reserved for negotiation by labour unions and works councils. What sets the experiments with employee-shareholder activism furthermore apart from traditional Fordist class conflicts is the creation of a different form of interest organisation, the so-called employee shareholder associations *(Vereine der Belegschaftsaktionäre* or ESAs*)*. The ESAs have institutionalised local practices of employee-shareholder activism. They have appeared predominantly in corporations where a long tradition of employee ownership has coincided with an increased prominence of policies promoting shareholder value, whether implemented by corporate management or desired by other investors in the firm.

In this article, I will take a closer look at three ESAs and their activities, each representing a different type of employee-shareholder activism. My classification of these models is based on a conception of the annual shareholder meeting as a space, which the employee-shareholders enter from different directions. First, the ver.di campaign at Deutsche Telekom is an example of what I call the 'front door strategy' of shareholder activism. Here, local labour activists used shareholder activism as a supplement to traditional strategies, including the strike, to exert pressure on the corporation in the context of a labour conflict. Second, the Association of Employee Shareholders in Siemens AG represents a 'back door strategy,' as its activities take place entirely outside the traditional channels for employee representation. The employee-shareholders at Siemens not only used their ownership stakes to demand more worker-friendly policies, but also hoped to gain a seat on the Company's board of directors. Finally, the TUI Shareholders' Association employed a strategy of 'peeking through the window,' questioning the behaviour of other shareholders. Driven not merely by employees' material interests or a demand for representation, the ESA hoped to improve the accountability of other investors in the corporation – predominantly those investors who were pushing corporate management to adopt value-oriented policies.

The outline of this article is as follows. First, I will explain how the German ESAs challenge the main political faultlines between managers, shareholders and workers identified by scholars of corporate governance. The second part of this article then takes a closer look at the objections to shareholder activism by union leaders in Germany. It zooms in on the 2001 pension reform, which led to a heated exchange between the German and American labour movements on the topic of shareholder activism. In the third section, I contrast labour's rejection of shareholder activism with the ESAs in Germany. Particularly, I discuss the relationship between employee-shareholder activism on the one hand and the strength of co-determination and shareholder value policies on the other hand. The fourth section details the three case studies of Deutsche Telekom, Siemens and TUI. The cases show the diversity of employee-shareholder activism in Germany, while demonstrating the shifting political alliances between employee-shareholders, managers and other investors in the corporation. Finally, the concluding part of this article offers a reflection on the future of employee-shareholder activism in Germany and its possible impact on issues of class.

Stakeholders, shareholders and institutional change

The German corporate governance system is commonly considered an insider system, in which managers, workers, and block shareholders (predominantly, the large banks) work to fend off the influence of outsiders or minority shareholders. This specific sectoral alliance follows from the German model of the firm, where the corporation is considered 'a constitutional construction for structuring a process of ongoing negotiation among different groups within the firm' (Ziegler 2000: 196). This means that the company should be managed for the sake of the enterprise itself as well as for a broad group of stakeholders, including employees, the broader community and the state. This social orientation of the firm is expressed institutionally through inclusion of representatives from labour and the large banks on the supervisory board, and through extensive negotiations between corporate management and organised labour in industry-level collective bargaining and plant-level works councils. Consequently, minority shareholder power has been relatively curtailed. This has been expressed in a number of ways, such as usage of German accounting standards over international accounting standards, the low levels of dividends in favour of the reinvestment of profits or the relative rarity of hostile takeovers.

Recent scholarly work, however, has indicated that the insider alliance between managers and workers against outside shareholders has changed as a result of the financialisation of the political economy, a process that encompasses the deregulation of financial markets, the purchase of German shares by foreign institutional investors, and the increased prominence of a shareholder value ideology among the German business elite (cf. Cioffi and Höpner 2006; Goyer 2006; Jürgens, Nauman and Rapp 2005). As a result, German corporate governance is said to have shifted from a 'corporatist bargain' between managers and workers towards a transparency coalition, in which shareholders and employees position themselves against managers (Gourevitch and Shinn 2007). Following this argument, shareholders and employees have found a common interest in achieving more transparency within the firm, particularly with regards to accounting standards and executive compensation. With more access to information on the company's performance, shareholders are better able to monitor corporate managers, whereas employees can use this information while negotiating with management. With the rise of this transparency coalition, class conflicts are expected to significantly reduce, as employees increasingly hold ownership stakes in their corporations (Höpner 2001).

It remains to be seen, however, if the farewell to class conflict is truly warranted. Following Thelen (2010), I will show in this article that each of the three employee shareholder associations studied here have responded to a (perceived) decline in firm-level solidarity, as expressed in either a decrease in the quality of work, an increased exposure to risk, or a drop in wage levels. First, all three conflicts have a strong redistributive dimension. At Deutsche Telekom, the employee-shareholder campaign was organised in response to planned pay cuts, while the ESA at Siemens addressed cutbacks in employee benefits. Second, what is at stake for each of the three ESAs is not just the introduction of corporate policies aimed at reducing labour costs, but rather the fact that such policies have coincided with dividend increases for shareholders. Arguing that the interests of shareholders have gained the upper hand within the corporation, the ESAs demand a balance in which both financial sacrifices and financial gains are shared equally among the stakeholders in the corporation.

The employee shareholder associations thus add a layer of complexity to the study of corporate governance that is not captured by a three-fold categorisation of managers, shareholders and workers. First, as noted before, the ESAs have moved industrial conflict from the workplace to the annual shareholder meeting – an arena normally reserved for the monitoring of corporate managers by shareholders. As such, labour activists have attempted 'a redeployment of old institutions to new purposes' (Streeck and Thelen 2005: 57). These attempts at institutional conversion have necessarily been both 'subversive' *and* creative, as the employee-shareholder activists have taken the traditional right of the shareholder to speak within the annual meeting and transformed this right into an additional platform for employee voice within the corporation. This has challenged the notion of the shareholder as an actor who normally does not intervene in industrial relations. Those involved in the ESAs have thus not only redirected the conventional relationship between managers, shareholders and employees, but also reinterpreted the traditional roles attributed to each of these three categories.

Second, the subversiveness of the political strategies employed by the German employee shareholder associations is also manifested by the adoption of a 'qualitatively different stakeholder role' by the works council members and labour unionists involved in the ESAs (Herrigel 2007: 117). Of the three cases presented in this article, this different stakeholder role is most visible in the cases of Siemens and TUI. The 'backdoor strategy' at Siemens has not emerged out of a specific labour conflict, but rather represents an attempt to institutionalise the representation of employee-shareholders within the corporation. At TUI, meanwhile, employee-shareholders chose to 'peek through the windows' of the corporation meeting and demand accountability of the other shareholders vis-à-vis the corporations' employees. This strategy thus blends the oppositional politics of Gourevitch and Shinn's sectoral conflict with the motivations specific to a transparency coalition. On the contrary, the campaign at Deutsche Telekom (the 'front door' strategy) comes closest to a traditional class conflict. Here, the campaign not only emerged out of a pre-existing labour conflict, but it also posited employees and their representatives against corporate managers. Nonetheless, by taking position as employee-shareholders the ver.di members added an innovative component to their political repertoire.

By organising on the basis of a shared status of employee-shareholders, employee-shareholder activists have thus created a hybrid of the shareholder and stakeholder positions within the German corporation. The cases lend support to Vitols' (2004) thesis that the financialisation of the German political economy has led to an 'augmented stakeholder coalition' rather than a singular displacement of the core institutions of the social market economy. However, this article also shows that the actors involved did not only participate, but at the same time *transcended* this coalition, as they have taken on the dual role of shareholders and labour representatives. This adoption of a dual role, based on shareholder and labour interests, creates a more fundamental tension than the mere opposition of different groups of stakeholders. It means that the actors involved do not only need to reconcile their own interests with those of other stakeholders, but that they are also forced to solve any apparent contradictions within their own employee-shareholder position.

The transformation of the employee at the identity level thus reveals a potential for institutional change within the social market economy. To be sure, in none of the cases presented below did the employee shareholder association replace traditional union or works council activities in the realm of industrial relations. Nor are there any indications that the formation of the employee shareholder associations followed a sudden or insurmountable weakening of other institutions of employee representation within the firm. Not only is there extensive cooperation between the employee shareholder associations and local unions or works councils, but all ESAs were founded by an active labour unionist or works council member. These results suggest that the expansion of equity-based capitalism in Germany may lead to a new type of labour politics that blends the class conflicts of the industrial era with post-Fordist identity politics.

Exploring active ownership

In Germany, labour unions have generally lacked access to the type of capital necessary for shareholder activism. This situation has changed, however, with the 2001 pension reform, that introduced American-style occupational pension funds to Germany (*Pensionsfonds*). These funds were not only capital-funded, but also jointly managed by labour unions and employer associations. Previously, labour unions had rarely been concerned with occupational pensions when engaging in collective bargaining with employers. However, the new occupational pensions formed a window of opportunity for unions to increase their power over industrial relations. As a result, several unions began negotiations with employers to set up industry-wide pension funds, for instance in the metal and chemical industries. At the same time, however, the new occupational pension funds also offered political potential beyond collective bargaining, as the *Pensionsfonds* had no restrictions on investment in corporate stock. This characteristic could not only facilitate increased ownership of German corporations by employees, but this ownership could also be used for shareholder activism, as had been the case in the United States.

The potential of the *Pensionsfonds* for shareholder activism did not go unnoticed by the labour movement. German unionists, particularly from metalworkers union IG Metall, began to take an active interest in shareholder activism and hoped to learn more from their American colleagues. An exchange between German and American unionists followed. Articles by authors involved in American capital stewardship activities appeared in the German (labour) press (cf. Weller and White 2001; Patterson 2000; Döring 2001). In addition, the German labour movement discussed shareholder-based activism in its own publications, as well as during panel discussions and conferences organised on the topic (Nieber and Jaeger 2000; Friedrich-Ebert Stiftung 2001). Finally, metalworkers union IG Metall sent one of its staff members, Antonius Engberding, to the AFL-CIO's Office of Investment in Washington, DC, to learn more about the latter's political usage of pension monies.

Following his trip, Engberding maintained that American unions' shareholder activism emerged in response to their political weakness, resulting from the difficulty to organise workplaces and the dependence on firm-level collective bargaining agreements. Shareholder activism allowed American unions to recruit new members and to engage in a dialogue with corporate management. Engberding (2001: 21) concluded that such activism would not only be unnecessary, but also undesirable in the German context: 'Many problems, that the AFL-CIO and the single unions try to solve through the proxy votes of pension funds (and commonly don't get majorities for that), we take care off through co-determination, in particular in the supervisory board. An arena like the annual meeting can not [sic] replace historically grown co-determination structures [...].'[2] He added that union-shareholder activism would disturb the balance between management, shareholders and employees within the institutions of co-determination. If unions begin to represent their capital-owning employees in annual shareholders meetings, in addition to their representation on works councils and supervisory boards, Engberding argued, organised labour would be over-represented in the German corporation vis-à-vis corporate management and shareholders ('*Überparität'*). This could give the latter an incentive to withdraw their support from the institutions of co-determination.

In a similarly critical evaluation, Heinz Putzhammer, board member of labour federation DGB (1998–2006), agreed with Engberding that the shareholder activism by American labour unions stems mostly from a position of weakness vis-à-vis employers and shareholders. German unions not only lack the financial basis for shareholder activism in the absence of widespread capital-funded pension funds that are controlled by labour, he argued, but they also have a more credible alternative of exerting voice within the corporation through the institutions of co-determination (2001/2002: 76). Nonetheless, Putzhammer added, the introduction of capital-funded pension funds warrants the question how German unions will be involved in the investment of pension capital. Putzhammer predicted that a distinctively German alternative could emerge, situated between active ownership on the one hand and the 'pure' maximisation of return on the other hand: '[Labour] will certainly not adopt the new institutions as an additional instrument of union power. A copy-like takeover of the American circumstances is thus far not to be expected. But the German unions shall watch with all their influence, that the money entrusted to the funds will be invested *for the security of retirement income* under consideration of ethical and social standards' (2001/2002: 82, emphasis from original).

Although the 2001 pension reform thus created a need for German unions to explore American experiences with pension fund management, there was a general consensus among organised labour that the activist component of American unions' involvement in pension funds would not be desirable in Germany. According to union officials, the institutions of co-determination were not only sufficient to represent employee interests vis-à-vis corporate management and shareholders, but were in fact far superior to the shareholder campaigns of their American colleagues.[3] Driven by this perceived incompatibility between shareholder activism and the German model, labour officials at the national level thus decided to forego on the potential for shareholder activism offered by the new pension funds. As the following sections will show, however, local labour representatives within several large German corporations took a different route and adopted shareholder activism to experiment with new forms of employee representation.

Shareholder activism in Germany

The role of shareholders in the German corporation is defined by the dual structure of its board of directors. The managerial board (*Vorstand*) is responsible for the day-to-day operations of the company, whereas the task of the supervisory board (*Aufsichtsrat*) is to monitor the actions of the managerial board. Shareholders can hold corporate management accountable in two ways. First, shareholders hold half of the seats of supervisory board, which institutionalises their monitoring function within the board structure itself. Second, shareholders are required by law to annually approve the actions of both managerial and supervisory board members through a vote at the annual meeting. This is known as *Entlastung* or exoneration of the boards. Board members can be removed from their position with a minimum of 75 per cent of votes cast against them. At the annual meeting, shareholders also vote on two additional issues: The amount of the dividend and the appointment of the auditor. In addition, shareholders owning at least 10 per cent of outstanding capital or hold shares with a minimal nominal value of one million euros can submit their own shareholder proposals to the annual meeting. Shareholders with smaller holdings can submit so-called counter-proposals to management proposals (Andre 1996, 1998).

Despite comparatively limited shareholding by individuals, Germany has a modest movement of shareholder activists, known as 'critical shareholders' ('*kritische Aktionäre*'). This movement can be divided in two groups. On the one hand, there are organisations that strive for more shareholder power in the hope of improving financial return, such as the Protection Society of Capital Investors (SdK) and the German Shareholder Protection Agency (DSW). On the other hand, we find shareholder organisations with social motives. A case in point is the Federation of Critical Shareholders (DKA), which brings together 29 shareholder groups on a range of developmental, environmental and social issues. These organisations have not only presented shareholder resolutions at annual meetings, but they have also undertaken a host of other activities, such as litigation against ill-performing corporations or calls for special audits of company finances. Most strikingly, representatives of activist shareholder organisations have been elected to the supervisory boards of a number of German corporations. Shareholder organisations have or have had representatives on the supervisory boards of a number of prominent corporations, including Lufthansa and ThyssenKrupp.

Situated between the labour movement and the critical shareholder movement are the employee-shareholder associations. The ESAs organise employee-shareholders on a collective basis, most often within one particular corporation. There are only a handful of employee-shareholder groups in Germany (Table 1), but their unique position within the political economy warrants closer attention.[4] Being located within individual corporations rather than operating nationally, the existence of these associations reveals a preference for active ownership among local worker representatives that contradicts official union policies. At the same time, their local presence reveals a strong entrenchment within the corporation, including the two arenas for employee co-determination (the works council and the supervisory board). Exactly because the broader German labour movement is sceptical of employee ownership and shareholder activism, it is worthwhile to find out *why* these ESAs were created and *how* they coexist with labour unions and works councils.

Table 1. Employee Shareholder Associations in Germany

Company	Since
1. Volkswagen	1961
2. Siemens	1994
3. Infineon	1990s
4. Lufthansa	1990s (currently inactive)
5. TUI	2007
6. Deutsche Telekom	2007
7. SAP	2009
8. ThyssenKrupp	In process of formation
9. Aventis	2002–2004 (since 2004, French corporation)
10. SGL Carbon	ND
Other	
11. DHV	1959

Source: Compiled from media scan.

Since the mid-1990s, employee-shareholders at several large German corporations have organised within associations to represent their interests as employee-shareholders. Through these organisations, employee-shareholders have bundled the voting rights attached to their shares for the purpose of establishing a voting block at the annual shareholder meeting. By building on this collective basis of employee ownership, the ESAs have sought to form a counter-weight against other powerful groups of shareholders, in particular those institutional investors advocating a strong shareholder value focus. To this end, the German ESAs have not only engaged in the voting on proposals submitted by corporate management, but also at times proposed their own resolutions. The ESAs thus share a close affinity with the union-managed multi-employer and staff retirement funds in the United States that are involved in shareholder activism on behalf of American employees.

There are several ways in which the ESAs have expressed their discontent with the shareholder value ideology, while remaining within the boundaries of the legally defined space for shareholder activism. First, ESAs have expressed their disapproval of managerial and supervisory boards by submitting counterproposals urging other shareholders to withhold ratification of the activities of members of the managerial and supervisory boards in protest of corporate policies. Second, ESAs have proposed to reduce dividend payments and instead reinvest profits in the company. This reveals a fundamentally different preference than the 'downsize and redistribute' strategy, which aims to increase shareholder value and distribute dividends among shareholders (Lazonick and O'Sullivan 2000: 18). Rather than raising the net worth of the company and thereby maximise shareholder value, the ESAs thus support a continuous expansion of the company, not in the least to create more employment.

Nonetheless, ESAs are not universally found at corporations with a strong shareholder value orientation. Figure 1 shows that the ESAs of the three case studies have been formed at corporations with both weak (TUI) and strong (Siemens, Deutsche Telekom) shareholder value orientations. What triggers the

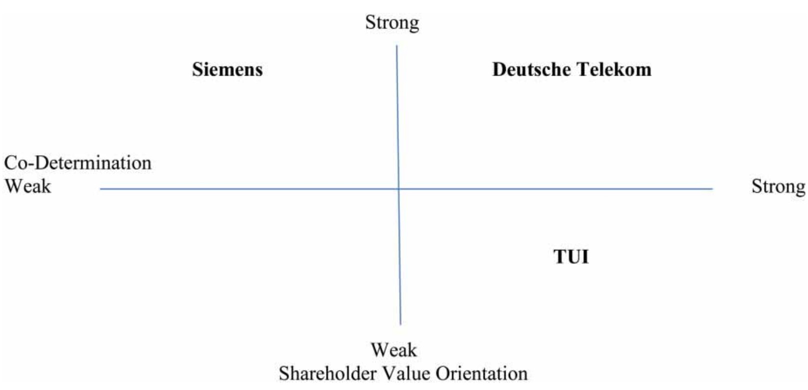

FIGURE 1. Shareholder value and co-determination
Source: Bradley and Sundaram (2003); Höpner (2001).

formation of an ESA is either the adoption of anti-worker policies at corporations with a strong shareholder value orientation or the *threat* of such policies imposed by an activist investor at companies with a weak shareholder value corporation. Similarly, there does not seem to be a relationship between the formation of an ESA and the strength of co-determination. These results confirm the overall independence of the three associations studied here vis-à-vis labour unions, works councils or supervisory board representatives. In all three cases, ESAs are additional to these forms of employee representation, not substitutes. ESA officials have been quick to emphasise that their organisations are not meant to represent *all employees*, but only that segment of the workforce owning company shares (Dubbel 2010; Grossmann 2010).

Nonetheless, the relationship between the ESAs and other labour organisations at the local level can be regarded as symbiotic rather than supplementary. First, the employee shareholder associations in all three cases were created by individuals who are also local employee representatives. The same applies for union membership, with local officials being members of either one of the two major labour unions (IG Metall and ver.di). Second, ESAs cooperate with labour unions, works councils and the employee representatives on the supervisory boards for the recruitment of new members as well as in the context of specific campaigns. The ESA at TUI, for instance, is run by only a handful of volunteers and its resources are necessarily limited. It therefore makes use of the works council's organisational infrastructure to reach employee-shareholders within the corporation and inform them about the shareholder organisation.

Overall, ESAs' shareholder proposals have not been successful. The proposals are almost uniformly rejected by an overwhelming majority of the shareholders. This lack of success cannot just be explained by shareholders' proclivity to support corporate management. It also has to do with the actual proposals submitted by the ESAs. Unlike the resolutions submitted by American shareholder activists, these proposals have generally lacked a corporate governance dimension, an interest shared by other shareholders. Instead, they have openly rejected increases in dividends and other value-maximising strategies. This has prevented the formation of alliances between the ESAs and other shareholder organisations. It is therefore not uncommon that ESA proposals are rejected by 99.9 per cent of the votes.[5]

At the same time, however, it is important to note that the passage of shareholder resolutions is only a secondary goal for most ESAs. More important than actual voting power, according to the activists themselves, is the ESA's capacity to generate publicity for employees' interests. Annual shareholder meetings generally attract a lot of media attention. For employee-shareholders, the annual meeting thus constitutes an excellent forum to make their views known to the broader public. ESAs hope that the public scrutiny resulting from this media attention will increase awareness of employee interests among other investors and corporate management. Most importantly, through their media strategies, the German ESAs directly disrupt the public valuation process that supports the construction of shareholder value, as they widen the information available to the broader investment community. These considerations are also apparent in the three case studies, presented below.

Three employee-shareholder campaigns

Ringing the doorbell: the ver.di campaign at Deutsche Telekom

The ver.di campaign at Deutsche Telekom, described in the introduction, took place in the aftermath of the corporation's privatisation in 1996, which resulted in widespread employee ownership and a continuing need to reduce costs in the corporation. Telekom actively courted its employees to purchase shares in the corporation as part of its transition from a state-owned to a private corporation.[6] Employees were offered a 40 per cent discount on the shares or participation in a risk-free trust (Rath 1994). The privatisation alone yielded two million new shareholders (Ziegler 2000: 207). Nonetheless, Telekom suffered a decline in market share resulting from increased domestic and international competition in its initial years as a public corporation. To offset its losses, the company engaged in several restructuring efforts, including the division of the corporation into four specialised subsidiaries and international acquisitions to enter product markets outside Germany. The corporation also introduced limited shareholder value policies (for instance, listing on the New York Stock Exchange). Although the restructuring efforts led to a substantial increase in revenue, Telekom was unable to reduce its significant labour costs (Börsch 2007: 125).[7]

The 2007 initiative to spin off Telekom's customer services departments resulted in the fiercest labour conflict at the corporation since its privatisation. Initially, Deutsche Telekom and labour union ver.di tried to resolve the conflict through collective bargaining, but negotiations failed after the union was unable to obtain measures to protect employees against a loss of income. In May 2007, the labour union called for a strike and more than 15,000 employees laid down work. As the conflict escalated, the union realised a strike was not sufficient and it had to look for other means to put pressure on the corporation. The union also realised that it needed public opinion on its side. In the words of Kornelia Dubbel, works council member and organiser of the employee-shareholders: 'When one wants to do something against this spin-off, then one needs to have public opinion on his side' (interview, 2010). In its search for publicity, the union therefore decided to participate in an event that surely would receive a lot of media attention: The annual meeting. 'We wanted to take the floor in the annual meeting,' said Dubbel. 'And we wanted to say: 'Here people, we are shareholders too. We won't let this happen to us.' At the very least, we wanted to raise our voices' (interview, 2010).

The focal point of the ver.di campaign was the substantial pay-cut imposed by the corporation as part of the spin-off plans. Telekom argued that such a cut was necessary to realign the higher wages of customer service employees with the general pay levels for call centre. The union objected that this explanation was not convincing as it did not take into account the experience of the employees and the more complex tasks they were facing than in other call centres due to the more technical nature of the work. To make the pay-cuts for the higher-paid workers possible, the company took advantage of article 613a of the Civil Code which allowed the subsidiary to agree on a new collective bargaining agreement with the employee representatives. This meant that the T-Service employees would no longer be covered by their previous collective bargaining contract and therefore had to accept the longer workweek and pay.

Another grievance addressed by the ver.di campaign was the increased rationalisation of the workplace within the customer service department. After years of personal responsibility in the exercise of work, hierarchy in the workplace was re-established by computer systems monitoring employees' every behaviour, a task performed by floor managers 40 years prior. Employees use barcodes to record their moves throughout the work day, for instance for lunch and coffee breaks, but also when they have to use the bathroom. This situation was manageable for the part-time workers, who were hired in great numbers but never stayed long with the corporation, but those employees with decades of work history at Telekom had a hard time adjusting to the new working conditions. The combination of pay-cuts alongside a reduced quality of work strengthened a sense of injustice among the long-term Telekom employees, who felt that the company was destroying employee morale in favour of financial return (Dubbel, interview 2010).

After collecting almost two million proxies from employee-shareholders, two works council members (including Kornelia Dubbel) submitted a counterproposal at the annual shareholder meeting on behalf of Telekom's employee-shareholders. The counterproposal called to withhold exoneration of the managerial board's activities in 2006, as well as those of the shareholder side of the supervisory board. The employee representatives on the supervisory board had voted against the planned restructuring and were thus not targeted by the proposal (Deutsche Telekom AG 2007). Lacking broad support from major shareholders for its campaign, the labour union nonetheless considered its 2007 employee-shareholder campaign a success. As expected, the ver.di counterproposals did not gain the required 75 per cent of votes cast to remove the targeted board members, nor did it change managerial policies. Dubbel stated: 'We knew of course that we, as employee-shareholders, had less than one per cent of the shares. It had only symbolic meaning, because nothing changes. The other 99 per cent, they exonerate the managerial board anyway' (interview, 2010).

Nonetheless, the union's presence at Telekom's annual meeting garnered widespread coverage in the German press. Newspaper and magazine articles not only explained in detail why the labour union was targeting, but also reported on the discontent of other shareholders over the falling share price of the *T-Aktien*. The visibility of the ver.di campaign in the media was enhanced by the presence of hundreds of disgruntled employees at the annual meeting. The employees, dressed in magenta scarves and loudly interrupting the speeches of board members, made attractive content for the news media. 'The annual meeting as tribunal,' wrote Focus magazine. 'Obermann in the arena of rage,' said Die Welt. 'Whistles for Obermann's reform plans,' read another German daily (Frühbrodt 2007; Johann and Voss 2007; Stern 2007). As the German media depicted Deutsche Telekom as a corporation under siege, public opinion began to turn in favour the employees. According to survey results, around 78 per cent of German citizens were sympathetic towards the striking party (Spiegel Online 2007).

The ver.di conflict at Telekom is the clearest case where employee-shareholder activism supplemented other forms of labour politics, what I've called the 'front door strategy.' Compared to the following two cases, Telekom's employee-shareholders were most entrenched in the workplace, functioning as an extension of the local ver.di chapter and the works council. The conflict at Deutsche Telekom also shows the centrality of 'solidarism' to the employee-shareholder campaign, as both wage levels and quality of work were at stake. At the same time, the local ver.di activists married these concerns for employees' working conditions with a demand for recognition of their demands. When normal labour politics failed, including collective bargaining and the strike, the union thus moved its political campaign from the realm of industrial relations to the arena for corporate governance. As a result, employee-shareholders barged into the annual meeting and demanded to be heard by corporate managers and shareholders alike. As such, the Telekom campaign is a prime example of a 'front door strategy,' where employee-shareholder activism was an extension of labour politics rather than a forerunner of a coalition between employees and shareholders.

Entering through the backdoor: 'Our Shares' at Siemens AG

The most active of the German employee-shareholder groups is the Association of Employee Shareholders in Siemens AG. Like other corporations with ESAs, Siemens has a long tradition of employee ownership, with a stock ownership program in place since 1969. Börsch (2007: 75–6) estimates that employee ownership amounts to 9–17 per cent of total shares.[8] The Siemens ESA was founded in 1994 by two works councillors and IG Metall members. It represents several thousand employee-shareholders within the corporation, whose ownership stakes amount to around 0.1–0.2 per cent of the total share capital of Siemens (Scheytt 2005). Despite a commitment to achieve a satisfactory return on investment, the ESA's main priority is to protect employment in the corporation. Its organisers maintain that saving jobs should be a bigger priority than high investment return, as employee-shareholders derive more income from their labour than from their capital investments.[9] Consequently, the ESA has urged the corporation to find a better balance between the interests of shareholders and those of employees: 'We want a balanced corporate policy that grants equal status to employee interests. We firmly position ourselves against a pure shareholder value orientation' (Association of Employee Shareholders in Siemens AG 2010).

The explicit focus of the Siemens employee-shareholder association on shareholder value maximisation is not coincidental. Not only has Siemens been under great pressure of the capital market due to its dispersed ownership structure, but the corporation has also been among the first in Germany to introduce shareholder value policies. Siemens therefore counts as a corporation with one of the strongest shareholder value orientations in Germany (Höpner 2001). Specific changes included an end to the preferential voting rights of the Siemens family, publication of results per division, steadily increasing dividends (despite fluctuating profits), the introduction of managerial stock options and a listing on the New York Stock Exchange. Siemens also spun off its semiconductor division to a subsidiary, Infineon. By the year 2000, the corporation was making record profits (Börsch 2007).

The employee shareholder association has criticised Siemens' pro-shareholder policies, while connecting these with deteriorating working conditions facing employees. First, the organisation has lamented the decrease in job security facing employees within the corporation. In 2004, for instance, the ESA addressed the outsourcing of several thousand jobs at a number of Siemens divisions to independent employment agencies (known as *betriebliche eigenständische Einheit*, beE), in which Siemens only had a minority stake. At 85 per cent of pay, employees would receive job training and look for new positions inside and outside the corporation, while avoiding dismissal. The outsourcing caused a lot of unrest within the corporation, as it allowed Siemens to discontinue the employment of workers that were legally protected against dismissal, in particular older employees. At the 2004 annual shareholder meeting, Manfred Meiler, founding member of the ESA, objected to the failure to reassign the displaced employees to new jobs within the corporation and the lack of special consideration for older employees who often failed to find new employment through the beE. He stated: 'Solidarity-based behaviour no longer exists within the 'Siemens family' and is not demanded by corporate management' (Siemens AG 2004). Moreover, he opposed the continuation of workforce reductions despite overall gains for the corporation and for its shareholders. To this Meiler added: 'We hope, nevertheless, that in the future the Siemens organisation will regain a sustainable balance between the interests of capital and labour' (Siemens AG 2004).

Second, the Siemens ESA has voiced its concerns over wage and benefit reductions, in particular in relation to shareholder pay-outs. On occasion, the employee shareholder association has protested dividend increases for the shareholders, while employees were facing cutbacks. 'Just as shareholders cannot be held responsible for the downturn in earnings, employees cannot likewise be held liable for it,' the ESA wrote in a supporting statement to its 2006 counterproposal: 'Since Siemens AG simultaneously intends to reduce the annual staff bonus by 10 per cent, the employees will partially pay for the dividend increase on top of that' (Siemens AG 2006). Instead of the increases in dividend pay-outs to the shareholders, the Siemens association has suggested to invest profits in a variety of programs benefiting employees, such as a strengthening of the product innovation department, protection of older employees, and a solidarity fund to help out employees in financial difficulty. These preferences reveal a commitment to protecting employees against the vagaries of the market, as well as a dedication to a business model revolving around growth rather than shareholder value.

At the same time, the positioning of the ESA outside the traditional forums for co-determination has allowed the ESA to question the insider coalition sustaining these institutions. On different occasions, the ESA has addressed the conflicts of interest that emerge from the close relationships between the managerial board and the supervisory board. The ESA has proposed, for instance, a resolution suggesting that the company take over a provision from the German Corporate Governance Codex and implement the rule that members of the executive board can only become members of the supervisory board two years after ending their position. More opportunistically, the ESA has attempted to replace one of the bank representatives on the supervisory board, claiming that the banks did not adequately represent employee-shareholders (Börsen-Zeitung 1998). The organisers at Siemens thus realised that a strengthening of the association's influence within the corporation was more likely through traditional institutions of employee representation rather than forming alliances with other shareholders.

While the employee-shareholder campaign at Deutsche Telekom emerged from a pre-existing labour conflict, the Siemens ESA has functioned independently from the corporation's industrial relations. This is not to say that Siemens' employee-shareholders have not cared about employees' working conditions – the above example of the ESA's opposition to the independent employment agencies after all suggests otherwise. However, rather than using shareholder activism as supplementary to collective bargaining and other forms of labour politics, the Siemens ESAs has more explicitly represented employees *as* shareholders. This strategy, of entering the annual meeting 'through the back door' as shareholders, has been further amplified by the ESA's attempts to gain permanent representation for employee-shareholders on the board of directors, while reducing the influence of the company's large block holders. The Siemens employee-shareholder association has thus blended traditional employee-management opposition with transparency concerns common to (minority) shareholders.

Peeking through the window: the TUI Shareholders' Association

Not all ESA campaigns have been anti-managerial. In May 2007, several works council members of tourism and shipping conglomerate TUI founded the TUI Shareholders' Association. The association was created in response to several attempts by foreign investment funds to force the company's management to sell off the conglomerate's shipping division. Its founders hoped to bundle at least five per cent of total shares, so that the association could form a voting block against activist investment funds.[10] As such, the TUI ESA represents a third strategy of employee-shareholder activism, what I have termed 'peeking through the window.' Not aimed at changing the company's labour policies, the TUI employee-shareholders explicitly address the other investors in the annual meeting with the aim of halting the latter's pro-shareholder policies. Around a quarter of all employees that own company shares are members of the organisation, although membership is also open to managers of the corporation. The association represents around 1.7 per cent of voting rights at the annual shareholder meeting.

Unlike the ESAs at Siemens and Deutsche Telekom, the main target of the TUI organisation has thus been other investors rather than corporate management. The company has a relatively dispersed ownership structure, with 40 per cent of its shares owned by institutional investors and another 15 per cent owned by private individuals. However, TUI has been an attractive investment object for speculative hedge funds, such as the British Hermes fund or the American Guy Wyser Pratte. The main object of speculation for these hedge funds was the fate of shipping company Hapag-Lloyd, a TUI subsidiary acquired in 1997. The funds wanted TUI to sell-off Hapag-Lloyd and to focus again on its core business of tourism. Both the managerial and supervisory boards of TUI objected to the proposed spin-off, as they meant to keep the shipping division to shelter the company from the fluctuations of the tourism industry. With TUI's share price entering a downward spiral in the early 2000s, the conglomerate's market value dropped below the estimated value of Hapag-Lloyd, leaving TUI vulnerable to a hostile takeover (Krieger 2009).

In 2008, the company announced that it wanted to sell Hapag-Lloyd. To protect its employees from negative consequences stemming from the sale of the shipping company, TUI agreed to try and find the best owner rather than settle for the best price. This led activist investor John Frederiksen to launch an attack on TUI CEO Michael Frenzel and supervisory board chair Jürgen Krumnow, demanding their dismissals. Arguing that TUI won't be able to get a good price for Hapag-Lloyd, Frederiksen mobilised other shareholders to block the proposed sale at the annual meeting. He also demanded two seats on the supervisory board to strengthen his position in the company. The corporation offered Frederiksen a seat on the supervisory board, on the condition that he would end his attack on the board's chair. Frederiksen declined. Both of his attempts failed, as the major blockholders continued to support TUI's management (Krieger 2009). As the company began to look for buyers for Hapag-Lloyd, however, its employees started to fear that their jobs might be relocated abroad.

As part of its campaign to keep Hapag-Lloyd in Hamburg, the works council mobilised TUI's employee-shareholders. The goal of the campaign was two-fold. First, the labour union hoped to secure the independence of the company, not in the least by reducing the pressure of activist hedge funds on TUI's management. Second was the protection of jobs and job security. Under the slogan 'Hapag-Lloyd belongs to Hamburg,' the works council campaigned on multiple fronts to involve the local community through the press and several street actions, including a demonstration at the embassy of Singapore, the home country of a potential buyer (Krieger 2009). The formation of the ESA supplemented these other campaign strategies. The idea for the creation of an employee shareholder association had emerged several years earlier, after a works council member had read about the Siemens association. With the aid of the Hans Böckler Foundation (the research centre of German labour federation DGB) and the people behind the Siemens ESA, the TUI Shareholder Association became operational in 2007.

The TUI Shareholder Association did not emerge out of a labour conflict, but a conflict that posited workers and managers against a section of the company's shareholders. As such, its activities have not been motivated by a desire to demand pro-worker policies from management, or a wish to establish a new form of employee representation. Rather, TUI's employee-shareholders have been driven by a desire to hold TUI's activist investors accountable for the value-oriented policies advocated by the latter, particularly by showing the negative consequences these policies have had for TUI's employees. The association has been quite vocal about its intentions. It communicated on its website: 'We want to take the profit-motivated financial market activists out of their anonymity into the light of the public sphere. We want to confront them with the societal consequences of their irresponsible activities' (TUI Shareholder Association 2010).

At the 2008 annual meeting Christoph Grossman, founding member of the shareholder association, expressed a similar concern. He addressed the activist investors as follows:

> Have you, Mr. Frederiksen, or has any other big investors these days, once seriously tried to place yourself in the position of a

> colleague, how they experience your almost despising disregard? Have you seriously placed yourself in the threatening situation of people at Hapag-Lloyd AG or Hapag-Lloyd Flug and sensed their disappointment, anger and fear for their existence? [. . .] For you as investors there may be a lot on the line – but for the people in the company affected by this, it's about their existence! (Grossmann 2008)

With these words, Grossmann thus made clear what was at stake for the employees, calling on the social responsibility of TUI's community of shareholders. The campaign paid off. After Frederiksen lost his vote-of-no-confidence at the annual meeting, majority ownership in Hapag-Lloyd was sold to a local consortium, including the city of Hamburg and two local investment banks (Krieger 2009).

Since its creation, the TUI Shareholder Association has committed itself to achieve an 'equality of interests' in the corporation, between shareholders and employees. This does not mean that the association is anti-shareholder. The organisers of the TUI ESA make a distinction between parasitical investors aiming for short-term shareholder value maximisation, the 'locusts' (*Heuschrecken*), and the 'honey bees' (*Honigbeien*) who keep long-term stakes in the corporation. There is an explicit connection with the issue of employment security here, as the employee-shareholders perceive a fundamental tension between short-term shareholder value maximisation and the level of employment. The ultimate goal of the ESA is therefore the stability of the corporation. The organisers of the ESA hope to bring together 'those shareholders that are simultaneously employees of the firm and convince them not to use their shares in the same way as the speculator, but to keep the stocks and obtain an ever growing [share of] capital.' By forming a voting block of employee-shareholders, the ESA hopes that the TUI shares will not only 'be understood as an object of speculation, but that they are also seen as a protection of jobs' (Grossmann, interview 2010).

Of the three cases presented here, the TUI Shareholder Association shows the strongest opposition to the shareholder value orientation. Its concern with the tension between shareholder value maximisation and employees' well-being has posited the ESA not against corporate management, but rather against other investors. At the same time, this case offers a variation on two of the cleavage lines identified by Gourevitch and Shinn (2007), the sectoral coalition and the transparency coalition. Like actors in the transparency coalition, TUI's employee-shareholders were motivated by a desire for accountability and openness of affairs. However, their opponents were not corporate managers, but rather other investors, similar to the sectoral coalition. The specific nature of this alliance is furthermore enhanced by the employees' strong identification with the fate of the corporation. This is particularly expressed in the ESA's concern with the independence of the corporation vis-à-vis financial actors. The question therefore remains if this management-worker coalition is durable or if the ESA will also be able to critically review managerial policies and target corporate management when the association disagrees with its policies.

Conclusion

As shareholder value issues are affecting industrial relations, employee representatives have begun to look for political means of maintaining a distributional equity between employees, managers and shareholders. Those involved in the employee shareholder associations are creatively intervening in this balance by converting the institutions of corporate governance into a channel for employee voice. The continued centrality of redistributive issues in the cases above suggests that the formation of a transparency coalition between workers and shareholders within this new constellation is by no means self-evident. Rather what these cases suggest is that a new politics of solidarity has emerged with the structures of corporate governance, indicating a shift of class conflict from the workplace to the annual meeting. What sets this new politics of solidarity apart from its Fordist predecessor is the continually shifting alliances of supporters and opponents of labour's agenda, depending on the strength of earlier traditions of cooperation between management and workers, as well as on the prominence of a shareholder orientation within the firm.

The three cases show that employee-shareholders' identification as workers is by no means exclusive. In the case of Siemens, employee-shareholders presented themselves as a special class of investors. At TUI, employee-shareholders brought together managers and employees, representing the corporation as a whole. Only at Deutsche Telekom did the employee-shareholders act exclusively as employees. What this suggests is a separation between the politics of solidarity and the institutions that traditionally support it. Thelen (2010) has argued that the degree of solidarity in the German social market economy has declined, despite a continuation of the traditional institutions of the German model. Here, the reverse seems to be the case: the struggle for solidarity and a balance of interests within the corporation continues outside the traditional institutions of the German model. Consequently, in a day and age where organised labour has been on the decline across the advanced industrialised democracies, the future of a progressive politics of the workplace may involve a different set of roles (the shareholder) and a different political arena (the annual meeting) than traditionally assumed.

The cases presented in this article also reveal the potential for broader adoption of the ESA model of labour activism due to a changed position of the German labour movement on issues of employee ownership.[11] Since the start of the global financial crisis in 2008, German labour unions have abandoned their traditional rejection of employee ownership in favour of a reluctant exploration of financial participation schemes. Recently, labour federation DGB has begun to accept the trading of wages and benefits for an ownership stake in corporations that cannot survive without a reduction in labour costs. The federation added, that this employee ownership stake will need to be supplemented by an active commitment of the corporation to expand the ways in which employees can share in the firm's future financial success to offset their sacrifices (DGB Bundesvorstand 2009; Thannisch 2009). Labour union IG Metall has also begrudgingly conceded that voluntary employee ownership in the corporation would be acceptable to avert bankruptcy 'in singular cases,' provided that the employees simultaneously obtain additional rights to co-determination and employment security

(Huber 2009). Moreover, the union's president, Berthold Huber has asserted that 'employees are the better shareholders' and announced that the union would strive to obtain substantial ownership stakes in major German corporations, such as Opel and Volkswagen (Frankfurter Allgemeine 2009).

What the future holds, then, remains unclear. The broadening of employee ownership among German workers may lead to an expansion of the employee shareholder associations, if labour stays sceptical towards shareholder activism. On the other hand, labour unions and works councils may begin to accept this form of activism to protect employees' investment alongside their employment conditions.[12] Whatever the future holds for shareholder activism in Germany, however, this article has shown that there has not been a uniform response from organised labour to a shareholder value orientation that is gaining importance in German corporations. Representatives of organised labour in Germany have firmly criticised the pressures posed to employment stability and working conditions; yet they remain committed to co-determination and industry-level collective bargaining. Direct experiences with the negative consequences of pro-shareholder policies within specific corporations, however, have led local employee representatives to adopt strategies of shareholder activism and create employee-shareholder associations. This comparison thus suggests that the financialisation process has presented important challenges to stakeholder institutions of socio-economic governance, while stimulating creative experimentation with new forms of political activism to protect the legacies of a pre-existing economic order.

Notes

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1. In this article, I draw extensively on the work by Gourevitch and Shinn (2007). They identify three cleavage lines between managers, workers and owners. The first of these is the coalition of managers and workers against shareholders, a *sectoral conflict*. The second cleavage line posits a coalition of managers and shareholders against workers, which is known as a *class conflict*. Finally, shareholders and workers may align against corporate managers, a situation referred to by the authors as a *transparency conflict.* Which coalition prevails, depends largely on the political preferences of each of the three groups and the nature of the political system in which they are located.
2. All translations are my own, unless otherwise indicated.
3. For an alternative point of view, see Kamp and Krieger (2006).
4. There is no official count of the number of ESAs in Germany. My count is based on personal interviews with ESA officials, shareholder proposals on proxy statements, and mentions of employee shareholder associations in the press.
5. The organisation of the German annual shareholder meetings could offer an alternative explanation for the lack of success of ESA shareholder proposals. If the ESAs have only limited participation rights, then it might be too difficult for these organisations to persuade the other shareholders of their point of view. However, although small shareholders do not have agenda-setting power in the annual shareholder meeting – this right only belongs to shareholders who hold 1/20 of a corporation's capital stock or €500,000 – they do have the right to speak during the annual shareholder meeting. Small shareholders are allowed to pose questions to management on issues pertaining to agenda items, and they need to be physically present at the meeting to present their counter-proposals. One of the reasons why German annual shareholder meetings

are often long events (a day-long meeting is not uncommon) is that small shareholders take full advantage of these participation rights.

6. Deutsche Telekom was the first company to be privatised by the Kohl administration through the issuance of so-called People's Shares (*Volksaktien*) in 1996. The People's Shares were invented by Minister of the Treasury, Hermann Lindrath in 1959. The goal behind this initiative was to reduce state ownership in German companies. More specifically, the government hoped to head off communism by making German employees co-owners of German corporations (*Volkskapitalisten*). The campaign was predominantly aimed at low-income families and employees of state-owned enterprises. The People's Shares made a comeback in the 1990s, as part of a broader project to expand Germany's capital markets.
7. A continuing problem facing the corporation has been the high costs of labour despite a significant labour force reduction. Since privatisation, Telekom's had reduced its staff from 230,000 in 1994 to 170,000 in 2000. Labour costs, however, had increased from €9.3 billion in 1997 to €9.7 billion in 2000 (Börsch 2007: 125).
8. Moreover, Siemens' ownership structure is characterised by an extraordinary level of dispersion for a German corporation, at 94 per cent, half of which is owned by institutional investors. In addition to this large number of external investors, the Siemens family also owns a significant share of corporate stock with 6 per cent of common shares and 1.65 per cent of preferred shares (Börsch 2007: 76).
9. They added: 'Does a Siemens employee care if his shares yield a couple of cents more or less in dividends, when he has lost his job?' (Scheytt 2005).
10. Like the other corporations studied here, the creation of the ESA was an extension of a longer tradition of employee stock ownership at TUI that dates back to its predecessor Preussag (Hexel 2009).
11. The Schröder government (1998–2005) continued the Kohl Administration's efforts to promote capital ownership among broad layers of the population. It introduced several pieces of legislation to make it more attractive for employees to purchase shares of stock or stock options in their companies, such as the Fifth Capital Formation Act (*Fünfte Vermögensbildungsgesetz*).
12. An additional development that may hinder the success of the ESAs in the future has been the restriction of small shareholders' right to speak at annual shareholder meetings, following the passage of the *Gesetz zur Unternehmensintegrität und Modernisierung des Anfechtungsrechts* (UMAG) in 2005. As a result of this legislation, the chair of the annual shareholder meeting is now allowed to restrict the number of questions posed to management and the speaking time of the shareholders. In addition, new possibilities for shareholders to vote their proxies online may lead to a decrease in the number of shareholders present at the annual meeting and thus reduce the direct audience available to the ESAs.

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