COMPANY STOCK IN DEFINED CONTRIBUTION PLANS:

EVIDENCE FROM PROXY VOTING

by

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DISSERTATION ABSTRACT

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This study examines whether firms' decisions to offer company stock in defined contribution (DC) plans are explained by managers' corporate control motives. Using a large sample of proxy voting outcomes, I find that employee ownership in DC plans is significantly and positively associated with the level of voting support for management sponsored proposals. This suggests that managers encourage employee DC holdings in company stock in order to receive higher voting support in favor of management. The effects of employee ownership on voting outcomes are significantly greater in subsample tests than in full sample tests: management proposals opposed by Institutional Shareholder Services, management proposals of close votes, director election votes receiving more than 20% of votes withheld, and say-on-pay frequency proposals.

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CHAPTER I

INTRODUCTION

From the perspective of employees, holding a large share of Defined Contribution (DC) plans invested in company stock in the firms they work for is inefficient since it exposes them to an unnecessary amount of diversifiable risk. Further, company stock in DC plans ties the value of the employee's human capital together with the value of their retirement savings. This can lead to a situation where the employee's labor income and retirement savings fall simultaneously, exacerbating the personal effects of negative economic shocks.

However, a non-trivial number of firms offer participants company stock as an investment option in their Defined Contribution (DC) plans. Moreover, they often offer employer matching with company stock even if participants choose investment options other than the company's stock.[1] Given that employers' decisions to include company stock in DC plans lead to unnecessary risk for their employees, it is natural to question the rationale behind this decision. To date, only a few studies have attempted to investigate the motivations behind this practice .[2] For example, Rauh (2006) argues that managers offer employees company stock in DC plans as a takeover defense by showing that the changes in Delaware case law in the mid-1990s, which made takeovers more difficult for outside shareholders to successfully complete, lowered employee ownership. Rauh's study suggests that employer stock is a substitute takeover defense. Brown, Liang, and Weisbenner (2006) investigate why companies decide to offer matches in company stock and find that firms that have lower stock price volatility, lower bankruptcy risk, and a defined benefit plan are more likely to provide company stock matches.

Motivated by Rauh (2006), this paper explores whether firms' decisions to offer company stock in their employee's DC plans can be explained by managers' corporate control motives. Given the fact that the market for takeover activity has not been as

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[1] Holden and VanDerhei (2003) show that, among plans that offer employer stock in DC plans, on average, 38% of DC assets are in their own company stock as of year-end 2002. Using the 11(K) filings during the period from 1991 to 2000, Brown et al. (2006) show that 39.3% of their sample firms offering company stock in DC plans match with employer stock for employer contributions.

[2] Most studies on the motivation behind offering company stock focus on Employee Stock Ownership Plans, which is one type of DC plan.

widespread since the 1990s, and instead shareholder activism through the proxy process has been more pervasive, I conduct tests in the setting of annual proxy voting. In particular, I hypothesize that managers provide company stock in order to receive a higher level of support for management in proxy voting. This hypothesis assumes that employee owners vote in favor of management. This assumption is supported by the fact that voting rights on employee ownership in DC plans are largely delegated to plan trustees. Further, plan trustees have voting authority for all unallocated shares as well as those allocated shares when plan participants do not provide any direction on voting. Given the fact that plan trustees are appointed by management, the trustees are more likely to support management rather than act in the best interests of their participants (Chang and Mayers,1992; Chaplinsky and Niehaus, 1990; Gordon and Pound, 1990). Even though employee owners participate in voting, they may curb shareholder value maximization by voting with management due to employee's fixed claims on a firm's cash flow, such as wages (Faleye, Mehrotra, and Morck, 2006; Jensen and Meckling, 1979).[3]

Using a panel of 10,093 U.S. firms with 72,560 management sponsored proposals and 4,436 shareholder sponsored proposals over the 2003 to 2012 period, I find a positive association between employee ownership in DC plans and voting support for management.[4] Specifically, firms with higher employee ownership receive higher levels of voting support for management sponsored compared to firms with lower employee ownership. In management sponsored proposals, the OLS results show that a one standard deviation increase in percent of employee ownership in a firm's equity market value raises "For" votes 0.1 percentage points. Even though a small increase in votes for management may have little impact on whether the proposal is passed or fails, this is meaningful given the evidence that a lower level of votes leads to changes in board,

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[3] Further details are described in the next section.

[4] In most cases, management tends to vote for management sponsored proposals but vote against shareholder sponsored proposals. In my sample, more than 99.9% of management proposals are recommended by management while 0.03% of shareholder proposals are recommended by management. Therefore, voting support in favor of management can be interpreted as having higher levels of voting support for management sponsored proposal but lower levels of voting support for shareholder sponsored proposals.

management, and other governance related issues (Cai, Garner, and Walkling, 2009; Ertimur, Ferri, and Oesch, 2013; Fischer, Gramlich, Miller, and White, 2009; Yermack, 2010). The results are robust after controlling for other factors affecting voting outcomes, such as firms' financial strength, managerial ownership, ISS recommendation, voting mechanism, and proxy variables for corporate governance.

I conduct several additional subsample tests. First, I separately look at cases consisting of management-sponsored proposals opposed by Institutional Shareholder Services (ISS). The previous literature shows that ISS is the most influential proxy adviser and votes can be swayed up to 20% due to the influence of ISS recommendations (Bethel and Gillan, 2002; Cai et al., 2009; Choi, Fisch, and Kahan, 2010). Thus, this is when the support of a block percentage of employee ownership can be most useful to management. In other words, employee voting rights can be more usefully called for when the level of voting support for management is expected to be lower due to the influence of a proxy adviser. The next subsample test consists of only close votes where the levels of voting support are either just above or below 50%. The rationale for examining close votes is that if management has information about the likely outcome of voting at a time when it can do something to change the outcome, managers would encourage trustees and employees to support their proposals for a successful vote.[5] Thus, given that the marginal effects of voting support for management are greater for proposals that have around 50% of voting support, I expect that the results will be stronger in close votes.[6] Lastly, I conduct subsample tests separately for *director election, director related, compensation related,* and *say on pay frequency proposals.* These proposals are of particular interest because they are the most common proposals.

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[5] Listokin (2008) finds that there is a large difference between the frequency of management sponsored proposals passing with votes just above 50% and the frequency of proposals failing with votes just below 50%. In this study, close votes are defined as the levels of voting support between 30% and 70%. As shown in Figure A1 in the Appendix, there is a discontinuity in the distribution of voting outcomes in management-sponsored votes at the 50% level.

[6] This is because, with a small shift, management can win the proposal as the marginal effect in close votes of voting shift from employees and trustees is large. However, management will withdraw or alter the proposal if managers predict that the proposal will fail with far below 50% support. Furthermore, management will not act if managers predict that the proposal will win with far above 50% support. Due to a limited sample size, here close votes are defined somewhat broadly as situations where the levels of voting support are between 30% and 70% and the proposals need greater than 50% support to pass.

Specifically, compensation related proposals are closely related to managerial entrenchment because they directly influence the economic welfare of management. The results show that the effect of employee ownership in voting outcomes is significantly greater for *director election* with more than 20% withheld and for *say on pay frequency* proposals.

Overall, I find that the effects of employee ownership are much larger for proposals in subsamples. For example, in *Say on pay frequency* proposals, an increase in the *percent of employee ownership in firms' equity market value* by one standard deviation is associated with an increase in the proportion of "For" votes of 0.97 percentage points. Further, once it is combined with managerial ownership, the effect is even stronger. Specifically, increases in the *percent of employee ownership* by one standard deviation and *percent of managerial ownership* by one standard deviation raise the proportion of "For" votes 3.86 percentage points. Considering that Cai et al. (2009) find that a 1% decrease in the average votes for compensation committee members associates with reductions in abnormal CEO compensation by $143,000 in the following year, the effects of employee ownership are economically meaningful.

If managers' control motives encourage employees to hold company stock in DC plans, the effect of employee ownership on voting support for management will be stronger in firms with worse governance mechanisms than in firms with better governance mechanisms. To examine whether employee ownership in DC plans has a different effect on voting outcomes depending on corporate governance, I examine interaction terms between proxies for employee ownership and corporate governance and find weak support only for management sponsored proposals.

I complement Rauh (2006)'s finding by providing evidence that corporate control motives are still important in an era when hostile takeovers are not significant. As such, my finding contributes to understanding the purpose of employee ownership in pension plans from the viewpoint of employers. The paper is organized as follows: Chapter II reviews the background, Chapter III describes the sample data, Chapter IV shows the empirical results, and Chapter V concludes the paper.

CHAPTER II

BACKGROUND

2.1. Company Stock in Defined Contribution Plans

Over the last three decades, many U.S. employers have continued to switch their retirement plans from defined benefit (DB) plans, which guarantee employees a fixed retirement income, to defined contribution (DC) plans. Most DC plans are 401(K) plans, which allow employees to decide how their savings are invested and let them make pre-tax contributions to their chosen investment option, which are then matched with either cash or company stock by employers. Consequently, DC plans largely place the burden on employees to bear the risk of their investments. Originally, Employee Stock Ownership Plans (ESOPs) were designed to foster employee ownership of a firm's stock, whereas DC plans were retirement savings benefits intended to share the firm's profits with workers through employer contributions that varied based on earnings (Mitchell and Utkus, 2002). Consequently, most participants in ESOPs are subject to restrictions on diversifying away from employer stock. Since the 1990s, firms have commonly provided employer ownership through pension plans, such as 401(K)s, rather than though ESOPs. Many of the 401(K) plans that hold company stock are not just DC plans; typically they are combined with other features of DC plans. Examples include plans that have a 401(K) structure with profit-sharing features, plans that have a 401(K) structure with a stock bonus feature, or plans that have 401(K) structure with ESOP features, known as a KSOP.[7]

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[7] Huberman and Sengmueller (2004) explain the differences between DC plans: a 401(K) plan is a type of plan that allows employees' an elective contribution and almost all DC plans are 401(K) plans set up as profit sharing; a profit sharing plan is a plan in which employer contributions vary year to year depending on the firm's profits and voting rights of employer stock are not required to pass-through to participants; a stock bonus plan is a plan in which employer contributions are matched with company stock; KSOP is a plan qualified to borrow money in which employees are allowed to choose one of the investment options on the menu and employers contribute with company stock. I examine all of these types of plans.

2.2. What Motivates a Firm to Offer Company Stock in DC Plans?

2.2.1. Managerial entrenchment

According to Mitchell and Utkus (2002), in 65 of the largest DC plans, employee holdings account for about 6% of outstanding market capitalization on average, which can be influential in a tight takeover battle. Combined with managerial ownership, the deterrence effect on takeover probability can be significant. Given that employees are interested in job retention, they are more likely to vote for incumbent managers in proxy contests. Therefore, to reduce the risk of a takeover, managers encourage employees to hold company stock in DC plans. Consistent with this hypothesis, Rauh (2006) finds that the changes in Delaware's mid-1990s validation of the use of the poison pill in conjunction with a staggered board are associated with a reduction in employee ownership in DC plans for firms incorporated in Delaware. Furthermore, he shows that both managerial ownership and employee ownership have declined in response to the Delaware law, suggesting that managers try to shift some of the cost of takeover protection to employees through DC plans.

Although the law requires that a fiduciary agent act in the best interests of plan participants, there are several reasons why employees with stock ownership will vote in favor of the existing management. First, DC plans (except ESOPs) do not require passing through on employer securities, resulting in voting that is delegated to plan trustees.[8] Given that management have full discretion to select plan trustees without shareholder assent, it is likely that these trustees side with management (Chang and Mayers,1992; Chaplinsky and Niehaus, 1990; Gordon and Pound, 1990). In addition, previous studies find that mutual funds are more likely to vote against shareholder proposals in support of management, regardless of the best interests of the investors, in order to attract and retain assets from the retirement market (Ashraf, Jayaraman, and Ryan, 2012; Davis and Kim, 2007). Pool, Sialm, and Stefanescu (2013) show that in their sample firms, more than 75% of DC plans have mutual fund families as trustees. Moreover, in some plans, trustees have voting authority for all unallocated shares as well as those allocated shares for

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[8] http://www.dol.gov/ebsa/publications/acemer.htm

which participants provide no direction on voting. In other plans, trustees are required to vote for the unallocated shares in the same way as employee shareholders vote for allocated shares, which is called proportional voting. In either case, these shares are expected to provide votes in favor of management.

Second, even with pass through voting, employee owners may curb shareholder value maximization by voting with management due to employees' fixed claims on a firm's cash flow, such as wages. Jensen and Meckling (1979) argue that maintaining sufficient cash flows for wages and benefits is such an important matter for employees. Faleye et al. (2006) also argue that employees are primarily concerned about their wages and benefits since, in most cases, the present value of expected wages and benefits is greater than the present value of employee's equity stake. Therefore, firms with higher employee ownership are more likely to deviate from value maximization relative to other firms. Consistent with their argument, they find that firms in which employees own at least 5% of outstanding shares are associated with spending less in long-term investment, taking less risk, and growing slowly.

Empirical evidence supports the use of employee stock as a takeover defense. Pagano and Volpin (2005) argue that managers may adopt an ESOP as a means of a takeover defense, especially when insider ownership is small and they can enjoy greater private benefits. Scholes and Wolfson (1990) argue that the main reason why management establishes ESOPs is to defend against takeovers; management expects that employee shareholders are more likely to side with management than other outside shareholders. Chang and Mayers (1992), Chaplinsky and Niehaus (1990), and Gordon and Pound (1990) document the shareholder wealth effects of ESOPs and show that ESOPs are an effective takeover defense. Brown et al. (2006) use 11-K filings to examine why some employers provide matching contributions to 401(K) plans in company stock, finding that firms that have multiple classes of stock (e.g., dual class shares) are less likely to require company stock matches. Considering that employees are likely to hold greater employee ownership under matching contributions with company stock and that dual class shares are very effective takeover defense (as demonstrated by Gompers, Ishii, and Metrick (2010)), Brown et al.'s study provides another piece of evidence that employee ownership is used as a useful tool to protect the firm from takeover.

2.2.2. Alternative motives

In addition to managerial entrenchment, there are five alternative reasons discussed in the literature explaining why management would encourage employee stock ownership. The most widely-used explanation is that managers encourage ESOPs to align employee interests with shareholder interests. By providing employee ownership, they are motivated to work hard and therefore improve productivity. Kruse (2002) summarizes empirical studies on productivity at firms with ESOPs, and the evidence is weak at best. However, to the extent that employees are free to rebalance company shares into other investments and participation in 401(K) plans is optional for employees, the alignment effect for DC plans is likely to be weaker than for ESOPs with sales restrictions (Kim and Ouimet, in press).

Second, companies might match using their own shares because it is cheaper than spending cash.[9] The matching with stock is cheaper for employers since they can issue new shares to fund a plan without spending cash on matching contributions, and because employers pay smaller administration fees for their own stock than for other investment options on the menu (Mitchell and Utkus, 2002). Consistent with this, Core and Guay (2001) find that cash-constrained firms substitute equity compensation for cash compensation, and that companies with high cash flow shortfalls and high interest burdens grant options more extensively to rank-and-file employees.

Third, when a firm offers an employer match in company stock in a KSOP (the combination of an ESOPs and a 401(K) plan), dividends paid on that stock are tax-deductible. Benartzi, Thaler, Utkus, and Sunstein (2007) find that employers cite tax benefits as the second most important factor in choosing to match company stock, and that those who offer employer stock matching have higher dividend yields than those who match in cash.[10]

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[9] Hawthorne (2002) argues that companies match with their own shares because it is much cheaper than spending cash (Institutional Investors, 2002).

[10] In Benartzi et al. (2007), the most important reason why employers match with company stock is increase motivation and productivity.

Fourth, powerful unions can pressure their management for better retirement plans and to avoid the non-diversifiable risk that comes from solely holding employer stock. Additionally, union leaders can advise and educate employees to diversify their holdings and avoid heavy concentrations of employer stock. Cohen (2009) argues that self-selection will result in unionized workers being less loyal to the firm and therefore less willing to invest in employer stock. Consistent with this argument, there is evidence that retirement plans subject to collective bargaining agreements are less likely to invest in employer stock (Even and Macpherson, 2006) and that firms are less likely to have broad-based stock option plans if at least one of their retirement plans is subject to collective bargaining (Kroumova and Sesil, 2006).

Finally, DB plans promise fixed retirement income to their employees, with employers bearing all the investment risk. Therefore, providing a DB plan can significantly mitigate the risk of having 401(K) plan assets concentrated in company stock for employee retirement wealth. Brown et al. (2006) find that firms with a DB plan are more likely to match with their own stock instead of making an unrestricted match.

CHAPTER III

HYPOTHESES AND SAMPLE DESCRIPTIONS

3.1. Hypotheses and Empirical Methodology

The main research question of this paper is whether managers encourage their employees to hold company stock to receive higher voting support for management in proxy voting. To investigate this, I examine the hypothesis that, *firms with higher employee ownership through DC plans will have higher levels of voting support in favor of management than firms with lower (or no) employee ownership*. To test this, I estimate a model of the following form:

$$y_{ijt} = \alpha_t + \alpha_{industry} + \beta_1 EO_{it} + \gamma' X_{ijt} + \varepsilon_{ijt}, \ (1)$$

where i indexes firms, t indexes time, j indexes voting outcome for proposals, y_{ijt} is the percentage of voting support in favor of a given proposal, α_t and $\alpha_{industry}$ are time and industry dummies, EO_{it} is employee ownership in DC plans, X_{it} is a vector of control variables, and ε_{ijt} is the error term. The coefficient β_1 measures the effect of employee DC holdings invested in company stock on the level of voting support in favor of a given proposal. I predict that firms with employee ownership should receive higher voting support for management. Thus, β_1 should be positive for management-sponsored proposals but negative for shareholder-sponsored proposals.

If managers' control motives encourage them to offer employees DC holdings invested in company stock, firms with worse governance will have a stronger effect of employee ownership on voting outcomes than firms with better governance. Therefore, I include interaction terms between employee ownership in DC plans and governance mechanisms to test the hypothesis that, *the effect of employee ownership in voting outcomes is stronger in firms that have weaker governance mechanisms compared to firms that have stronger governance*. The model I test is:

$$y_{ijt} = \alpha_t + \alpha_{industry} + \beta_1 EO_{it} + \beta_2 \ Governance_{it}$$
$$+ \beta_3 (EO_{it} * Governance_{it}) + \gamma' X_{ijt} + \varepsilon_{ijt}, \ (2)$$

where EO_{it} is employee ownership dummy and $Governance_{it}$ is governance mechanism. The coefficient β_3 measures how the effect varies with the degree of

corporate governance. I predict that firms with worse governance should have a higher effect of employee ownership on voting outcomes, and therefore, β_3 should be positive for firms with worse governance.

In the empirical analysis described in the next section, I do not use firm fixed effects. Instead, I include time and industry dummies. This is because employee ownership varies widely across firms while it changes slowly over time within a given firm. In other words, there is large cross-sectional variation but little within-firm variation. Zhou (2001) argues that firm fixed effects should not be used in testing managerial ownership effect on firm performance due to little within-firm variation.

3.2. Source of Data and Sample Construction

Pension data comes from the Form 5500 filings filed with the Department of Labor (DOL) and the Internal Revenue Service (IRS).[11] Form 5500 is required to be filed annually if plans have 100 or more participants, in order to gauge financial conditions of pension benefit plans and welfare benefit plans.[12] Form 5500 provides information on the amount of employer stock in the plan, the total plan assets, attributes of the plan, and whether the plan is subject to a collective bargaining agreement. Data on voting outcomes is obtained from the Institutional Shareholder Services (ISS) Voting Analytics, which contains aggregate voting outcomes for Russell 3000 companies' shareholder meetings as well as the total number of shares outstanding, the total number of votes cast, and the ISS vote recommendation.

Table A1 in the Appendix summarizes how the sample is compiled. The initial data begins with firms listed on Voting Analytics during the period from 2003 to 2012. I use the Center for Research in Security Prices (CRSP)/ Compustat Merged Database to map CUSIP identifier into the IRS Employer Identification Number (EIN). With this EIN, I then merge the initial sample firms with firms listed in Form 5500 that have at least one

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[11] Form 5500 is downloadable for free from http://www.dol.gov/ebsa/foia/foia-5500.html

[12] There are other types of filings for those companies with less than 100 employees, but I do not include them in my sample.

DC plan. In case firms have different EINs in the CRSP/Compustat Merged Database than in Form 5500, I perform manual matching of each company's name. This yields 28,834 plan observations across 3,265 unique firms. Given that Form 5500 is a database based on fiscal year periods while more than 75% of proxy voting occurs between April and June, the pension data over the period from 2002 to 2011 is used for the initial sample firms that have at least one voting outcome from 2003 to 2012. For example, Form 5500 for year 2002 is matched to the firms have voting outcomes that occurred from January to December of 2003.

The next step is to gather additional information about sample firms: the data on firm characteristics are from CRSP and Compustat; the data on governance are from RiskMetrics; the data on institutional ownership are from Thomson Financial's CDA/Spectrum; and the data on ownership held by the top 5 executives are from Standard & Poor's ExecuComp. This process reduces the initial sample to 1,695 firms with 15,597 plan observations. The sample is further decreased to 11,100 firm-years as I keep only the largest plan for firms with more than one DC plan.[13] Finally, I match the sample firms to voting data using a CUSIP identifier, yielding 10,093 firm-years. As most firms have more than one proposal, 72,560 management sponsored proposals and 4,436 shareholder sponsored proposals are collected over the period from 2003 to 2012. The percentage of votes in favor of a proposal is the main dependent variable of this study, which will be defined in the next section.

3.3. Construction of Variables and Summary Statistics

3.3.1. Employee ownership measures

Employee ownership through DC plans is the main independent variable in this study. I use three types of metrics to measure the company stock in DC plans. First, I create an indicator variable (*Employee ownership dummy*) equal to one if firms provide company stock in DC plans, and zero otherwise. Following Rauh (2006), I use the

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[13] The main results are the same if I sum the plan assets of the plans.

percentage of employee holdings invested in DC plans (*percent of employee ownership in DC plans*) and the percentage of a firm's equity market value that employees hold through DC plans (*percent of employee ownership in equity market value*). According to Rauh (2006), the percentage of employee holdings invested in DC plans is a useful measure of employee ownership since it is directly related to employee welfare. Furthermore, compared to the percentage of a firm's equity market value that employees hold through DC plans, managers have greater control over this given that both management and plan trustees determine the investment options of the menu in DC plans. However, in this study, *percent of employee ownership in equity market value* is the most important measure of employee ownership affecting voting outcome because the shares of the firms' equity market values owned by employees directly impact voting outcomes in proxy voting. The percentage of ownership in a firm's market value is a traditional measure to gauge the impact of institutional or managerial ownership in the voting literature (Bethel and Gillan, 2002; Brickley, Lease, and Smith, 1988; Cai et al., 2009).

Table 1 (see Appendix A for all tables) presents summary statistics of employee ownership for the full Form 5500 sample in Panel A and the final sample in Panel B over time. The first two columns report the total number of firms in the sample and the total number of firms with non-zero employee ownership in DC plans only. The third column provides the percentage of firms with non-zero DC ownership in the sample. The next two columns show the percentage of employee DC holdings invested in company stock (*percent of employee ownership in DC plans*) and the percentage of a firm's equity market value owned by employees through DC plans (*percent of employee ownership in equity market value*).

In the full Form 5500 sample, the number of the full sample firms as well as the number of the firms with nonzero DC employee ownership generally decrease over time. The percentage of employee DC holdings invested in company stock steadily falls from 30.4% in 2002 to 20.9% in 2011, reflecting a growing concern about company stock in retirement plans after the collapse of Enron.[14] Given that there is no notable drop after

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[14] Rauh (2006) uses Form 5500 for the period from 1985 to 1998 and show that the percentage of employee DC holdings invested in company stock is 33.43%. Similarly, using Form 5500 for the years 1990 through1998, Even and Macpherson (2008) show that the percentage of their sample firms that hold

2006, the Pension Protection Act of 2006 (PPA, 2006) does not seem to prevent employees from holding company stock in DC plans.[15]

In Panel B of Table 1, there is a general increase in the number of firms as well as the number of firms with nonzero DC employee ownership for the final sample, in contrast to the full Form 5500 sample. Part of this pattern is due to the fact that voting data has covered more firms over the sample period. On average, more than 50% of the final sample firms offer employee ownership through their DC plans. Since the ISS Voting Analytics database contains vote records for Russell 3000 companies, the proportion of the firms with company stock in DC plans in this sample is higher compared to the full Form 5500 sample and other papers.[16] Similar to the full Form 5500 sample, both *percent of employee ownership in DC plans* and *percent of employee ownership in firms' equity market value* steadily fall over the sample years. The average values of both employee metrics in the final sample are similar to those in the full Form 5500 sample, suggesting that the results of this study can be generalized to the full Form 5500 samples.

3.3.2. Voting measures

Voting outcomes are the main dependent variables in this study. The threshold for a proposal to be approved and the base for the denominator of the calculation in shareholder voting support vary by proposal. I compute the percentage of voting support for a proposal by dividing total number of votes cast in favor of the proposal ("For"

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company stock in DC plan assets is 45.55%.

[15] The Pension Protection Act of 2006 requires that employee contributions to company stock be immediately diversifiable. Further, employer contributions should be diversifiable if an employee has at least three years of service. However, the PPA 2006 does not cap overall exposure to company stock in DC plans, and it still allows employers to direct their matching contributions into company stock. Choi, Laibson, and Madrian (2009) argue that allowing employees to diversify their contributions after they are received does little to reduce company stock holdings without hindering employers from directing their matching contributions into company stock.

[16] Mitchell and Utkus (2002) and Purcell (2002) point out large firms tend to offer company stock in DC plans.

votes) by its *"Base"*.[17] More than 95% of management sponsored proposals are approved when the proportion of votes cast in favor of proposals ("For" votes) to their *"Base"* is equal to or greater than a 0.5 threshold, called majority voting rules. The other 5% of proposals require supermajority voting rules which require more than a simple majority voting for passage, such as 2/3 or 3/4. One exception is *Director election.* 83% of sample firms have plurality voting rules whereby a director can be elected with a single vote in favor in uncontested elections.[18]

Table 2 presents frequency and percentage voting support for proposals by categories. Given the fact that some proposals such as *anti-takeover related* issues are more closely aligned with managers' interests than other proposals, the level of voting support for a proposal varies according to the features of the proposal. The ISS groups the proposals into several categories. I further adjust some categories by assigning new categories such as *director election* and *say on pay frequency* proposals and by consolidating shareholder proposals related to social issues into one group. As shown in Panel A of Table 2, more than 70% of the management sponsored proposals are *director election*. Proposals with majority voting requirements receive higher voting support compared to proposals with plurality voting requirements. *Routine/Business related* and *Compensation related* issues have the next highest occurrences. *Say on pay frequency* and *anti-takeover related* proposals have the lowest shareholder vote support among management sponsored proposals. In shareholder sponsored proposals in Panel B of Table 2, *director related* issues are the most common shareholder proposals while *compensation related* proposals account for the second largest frequencies. *Corporate governance related* proposals received the highest shareholder support while proposals

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[17] *"Base"* serves as the dominator of the calculation of voting support rate, and there are three popular bases: votes cast for and against proposals (total number of *"For"* and *"Against"* votes); votes cast for, against, and abstain proposals (total number of *"For"*, *"Against"*, and *"Abstain"* votes); total number of outstanding shares eligible for vote. Unlike other types of proposals, the ISS report the voting outcomes for *Say on pay frequency* proposals as total number of *"annual frequency,"* *"biennial frequency,"* and *"triennial"* votes. Therefore, the percentage of voting support is calculated by dividing total number of shares for which management recommends by total number of votes cast for *"annual frequency,"* *"biennial frequency,"* and *"triennial"* votes.

[18] U.S. public firms started replacing plurality voting rules with majority voting rules in director elections in 2006.

related to *social issues* received the lowest level of voting support. I present the similar table for subsamples of the proposals opposed by ISS and proposals with close votes in the Table A3 in the Appendix. In both subsamples, the proportions of *compensation related* and *say on pay frequency* proposals are higher compared to all management proposals. Table 2 also compares the frequency and the percentage of voting support for firms with employer stock to firms without employers stock in DC plans. Overall, shareholders of firms that offer company stock provide similar levels of voting support for management compared to shareholders of firms that do not offer company stock.

Table A4 in the Appendix describes agenda items by each category of proposals when the number of proposals of an item is submitted more than 10 times over the sample period. In *director election* proposals, 5% of the cases are from proxy contests, and these cases receive lower shareholder support than from annual meetings.[19] *Director related* proposals include issues on size of board or voting systems such as "declassify the board of directors," "require majority vote for the election," and "fix number of directors." *Compensation related* proposals seek to approve/amend compensation plans; for example, omnibus stock plans, stock purchase plans, and stock option plans. *Say on pay frequency* proposals are recently adopted non-binding votes which seek a shareholders' advisory vote on executive compensation. *Antitakeover related* proposals include amending antitakeover provisions like the poison pill and supermajority vote requirement. Most of *Routine/business related* proposals consist of "ratify auditors," while most of *capitalization related* proposals contain "increase authorized common stock."

Table A4 also describes items on shareholder sponsored proposals. "declassify the board of directors," "require a majority vote for the election of directors," and "restore or provide for cumulative voting" accounts for 75% of *director related* proposals. *Compensation related* shareholder proposals seek to limit executive compensation or to require more disclosure on compensation plans. Most of *governance related* proposals are associated with repealing antitakeover provisions and increasing shareholder rights

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[19] Since the results are very similar if I exclude the proposals submitted in special meeting and proxy contest, I do not exclude these cases.

such as "submit shareholder rights plan (Poison Pill) to shareholder vote" and "reduce supermajority vote requirement." Finally, *miscellaneous and social* proposals are associated with environment, health, social, and general economic issues.

3.3.3. Governance measures

Previous literature shows that governance mechanisms impact voting outcomes (Ashraf et al., 201e; Cai et al., 2009; Morgan, Poulsen, Wolf, and Yang, 2011). Therefore, I include proxies for governance as control variables in the main analysis testing the effect of employee ownership on voting outcomes. Further, as previously discussed, well defined governance variables are required to examine the effects of interaction terms between employee ownership and governance mechanisms. Multiple measures of corporate governance, including the degree of managerial entrenchment inhibiting takeover threats, the presence of institutional investor monitoring, and the degree of product market competition, are used in this study.

The first governance variable is the entrenchment index (*e-index*) of Bebchuk, Cohen, and Ferrell (2009), which measures the quality of a firm's governance based on six anti-takeover defense provisions: staggered boards, limits to shareholder bylaw amendments, poison pills, golden parachutes, and supermajority requirements for mergers and charter amendments.[20] The index varies between one and six, and a higher value of the *e-index* implies a higher management power against shareholder rights. Since the data for the index were reported about every two years until 2006, the index for 2003 and 2005 are replaced with those for 2002 and 2004 with the assumption that the index remains unchanged by the following year.

I employ the influence of institutional investors through their ownership as the second measure of corporate governance. The previous literature shows that institutional investors have stronger incentives to monitor management and that this improves the governance of firms (Gillan and Starks, 2000). The sum of equity holdings owned by

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[20] There is another widely used measure of governance, which is Gompers, Ishii, and Metrick's (2003) G-index based on twenty-four antitakeover and shareholder right provisions. However, the data after 2006 is not available from RiskMetrics Governance.

institutional investors (*percent of institutional ownership*) is from the 13-F filings by Thomson Financial and is used as a measure of institutional monitoring.[21]

The last measure of corporate governance is the strength of market competition documented by Giroud and Mueller (2010). They find support for the argument that product market competition can deter managerial opportunistic behavior by showing that Business Combination Laws negatively impact firms' return on assets only for firms in concentrated industries. Following their method, I create the Herfindahl index measured at the 3-digit SIC codes level. A higher Herfindahl index value indicates higher industry concentration and thus implies weaker market competition. Given that industry concentration is not a firm-specific choice, it is less likely to be endogenous compared to the other two measures of corporate governance.

3.3.4. Descriptive statistics and control variables

Panel A of Table 3 reports summary statistics for independent, dependent, and control variables for the final sample. I compare the mean and standard deviation of variables between firms with and without employee ownership. For all sample firms, *percent of employee ownership in DC plans* and *percent of employee ownership in firms' equity market value* are 11.66% and 1.31% respectively. But these percentages increase to 21.38% and 2.40% for firms with non-zero employee ownership. Compared to firms without employer stock in DC plans, on average firms with DC holdings invested in employer stock have a higher *E-index* (2.36 vs. 2.68), smaller *percent of institutional ownership* (80.27% vs. 75.89%), and higher *Herfindahl-index* (0.18 vs. 0.20).

Given the findings in the previous literature showing that firm characteristics affect how shareholders vote in proxy voting, I include firm characteristics such as *percent of managerial ownership, market capitalization, market to book,* and *past performance* as control variables.[22] Interestingly, firms with employee ownership have

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[21] I also use ownership held by large institutions (the percentage of equity held by institutions owning 5% or more of equity) and ownership held by public pension funds in place of *percent institutional ownership*, and the results are similar.

[22] I also include other firm characteristics such as leverage, age, and stock volatility, and the results are

lower managerial ownership compared to firms without employee ownership, suggesting that managers may use company stock in DC plans as a substitute for managerial ownership. Firms that provide employee ownership are larger and have lower market to book ratio.

Other than firm characteristics, ISS has a non-trivial influence on proxy voting. As a leading proxy advisory firm, ISS gives recommendations on proxy voting by publishing general guidelines on each issue of each proposal or by providing case-by-case recommendations.[23] I also include *confidential voting dummy* given the evidence that shareholders are more willing to vote against a proposal when their identities are protected (Cai et al., 2009). Lastly, *majority voting dummy* is added since shareholders may have more control over director elections under a majority voting system.[24]

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similar.

[23] Cotter, Palmiter, and Thomas (2011) find that voting support of mutual funds decreases by 68.3% for ISS unfavorable management proposals and increases by 53.1% for ISS unfavorable shareholder proposals. Choi et al. (2010) observe that the cases in which mutual funds always follow management's vote recommendation are twice as common as cases in which mutual funds always follow ISS recommendation. Ashraf et al. (2010) detect a negative association between voting support of fund families and pension business ties only for shareholder proposals recommended by ISS.

[24] I thank Young Sang Kim for providing data on majority voting before 2007.

CHAPTER IV

EMPIRICAL ANALYSIS

4.1. Employee Ownership and Voting Outcomes

The OLS regression results estimated from equation (1) are shown in the first three columns in Table 4. The dependent variable is the percentage of votes in support of management sponsored proposals, which is confined to the [0, 1] interval. Consequently I also utilize the quasi-maximum likelihood estimator (QLME) to obtain robust methods for estimation and compare the results from the OLS regression, but the parameter estimates (marginal effects) of either specification are almost identical.[25] Therefore, the discussion of the results below is based on the estimates of the OLS regression. The last two columns in Table 4 present the marginal effects of a Logit model of employee ownership on voting outcome. The dependent variable equals one if the proposal is passed, otherwise zero. The observations in Table 4 include all management proposals, and similar analyses for the subsample are presented later.

I use three metrics for employee ownership through DC plans as the independent variable: *employee ownership dummy, percent of employee ownership in DC plan, percent of employee ownership in firms' equity market value.* Since the levels of voting support for proposals vary by category as shown in Table 4, the dummy for each category of management proposals are included along with the control variables mentioned in the previous section.

Table 4 indicates a generally robust effect of employee ownership in DC plans on voting support for management sponsored proposals. In the left OLS panel, I find that all three measures of employee ownership are significantly and positively associated with the average voting of "For" votes of all management sponsored proposals. This suggests that firms providing employees company stock in DC plans receive higher voting support in favor of management. The coefficient on the *employee ownership dummy* is 0.4935,

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[25] The conditional expectation of the fractional response model can be written: $E(y_i|\mathbf{x_i}) = G(\mathbf{x_i}\boldsymbol{\beta})$, where the value of y_i is limited to between 0 and 1, $\mathbf{x_i}$ is the explanatory variables of i, and $G(\cdot)$ is a distribution function satisfying $0 \leq G(z) \leq 1$. To estimate the model, I use a Bernoulli log likelihood function defined by Papke and Wooldridge (1996).

indicating the proportion of "For" votes increases by 0.5 percentage points on average. As for the economic magnitude of the effect, an increase in the *percent of employee ownership in DC plans* by one standard deviation is associated with an increase in voting "For" of 0.0080*19.08=0.2 percentage points while an increase in the *percent of employee ownership in firms' equity market value* by one standard deviation is associated with an increase in the proportion of "For" votes of 0.0401*2.45=0.1 percentage points. The logit results in the right panel show that employee ownership mattered in getting the votes to a level that changes a proposal from not passing to passing, although its marginal effect is very small. Once again, although a small increase in votes for management due to employee ownership may have little impact on whether the proposal is passed or failed, it matters since a lower level of votes leads to changes in boards, management, and other governance related issues. For example, Cai et al. (2009) show that a 1% decrease in the average votes for compensation committee members (chair) associates with reductions in abnormal CEO compensation by $143,000 ($220,000) in the following year.[26] The authors also find that firms with lower levels of votes in director elections are more likely to have a higher probability of CEO turnover and removal of poison pills and staggered boards. Similarly, Fisher et al. (2009) and Ertimur et al. (2013) document that lower levels of director votes lead to higher board turnovers as well.

Consistent with the previous findings in the literature, I find that governance measures are significantly associated with voting outcomes for management sponsored proposals except *Herfindahl-index*. The coefficients on *E-index* are negative and significant in all columns, indicating that firms with higher *E-index* receive lower voting support for management. This implies that managers of "dictator" firms have stronger power to exercise control, and thus they are likely to put the proposals that are less friendly to shareholders to the vote and that shareholders realize this (Cai et al., 2009). Firms with higher institutional holdings (*percent of institutional ownership*) also reduce the "For" votes, which suggests that institutional investors more actively engage in monitoring of firms in which they invest by opposing management proposals (Brickley et

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[26] The authors look at a subsample of votes for the compensation committee members (chair) because they determine CEO compensation.

al., 1988). The last measure of governance, *Herfindahl-index* is negative in the regression with all proposals, although it is statistically insignificant. In less competitive industries (higher *Herfindahl-index*), the opportunities for managerial slack can be more easily increased, and managers may propose more management friendly proposals to a vote. Therefore, shareholders likely give fewer "For" votes in less competitive industries.

The coefficients on the other control variables used in Table 4 are largely consistent with previous findings in the literature. As expected, ownership held by top five executives is positively related to the level of vote for management proposals. The coefficient on the *managerial ownership* ranges from 0.0869 to 0.0872, indicating the proportion of "For" votes increases by 0.09 percentage points on average. This is a little greater than the effect of employee ownership in voting outcomes when employee ownership is measured by percent of employee ownership in firms' equity market value. Brickley et al. (1988), using a sample from 308 antitakeover proposals in 1984, find that the influence of managerial ownership on the vote is 0.21 percentage points. Considering that the average managerial ownership of Brickley et al. (10.1%) is three times higher than that of this study (3.13%), the effect of managerial ownership in voting outcomes in this study is comparable to the prior study. Whether ISS supports the proposals has a substantially significant impact on voting outcomes. Proposals opposed by ISS receive slightly more than 25% fewer votes on average. Choi et al. (2008) document 14.4% fewer votes for ISS negative recommendation in director elections and Cai et al. (2009) find that ISS negative recommendation decreases director votes by 20.7%. The effect of ISS recommendation on voting outcome is much stronger than the governance and ownership variables, suggesting subsample tests with ISS opposed management proposals that will be presented later.

Proposals at firms with confidential voting receive lower "For" votes, implying that protecting shareholders identities increases their willingness to vote against management. The level of support for management tends to increase with firm size and market to book ratio. Poorly performing firms receive lower support in favor of management.

Table 5 displays the OLS regression results from the subsample of management sponsored proposals.[27] The left panel presents the results from the subsample where ISS opposed management proposals, while the right panel shows the results from the subsample with close votes that have 30% to 60% of voting support. I proceed with the subsample analyses for the proposals receiving unfavorable ISS recommendation because the influence of employee voting rights might be more useful when managers expect lower voting support due to the influence of ISS. The analyses for close votes are motivated by the fact that voting rights on employee ownership are more usefully exercised when management can have influence on voting outcomes with a small shift. This is because managers get information about the likely outcome of the vote and can try to influence shareholders to change their vote or vote for their proposals. As expected, employee ownership on voting outcomes becomes significantly larger in the subsample analyses. Specifically, the results of the cases of only the ISS "Against" proposals report that the coefficient of *percent of employee ownership in firms' equity market value* is 0.0911 percentage points, two times stronger than the results for all management proposals. Further, given that ISS against recommendation for management sponsored proposals indicate that the ISS does not agree with management, the effect of managerial ownership on voting outcomes is also expected to be stronger in this subsample analysis. With respect to the economic magnitudes, a one standard deviation increase of percent of employee ownership plus a one standard deviation increase of percent managerial ownership raises voting support by voting "For" of 0.0911*2.45+0.3388*6.18=2.31 percentage points. Therefore, the combined employee ownership and managerial ownership effect on voting outcomes are especially large when ISS opposes management. This suggests that voting rights from employees DC holdings invested in company stock are more usefully exercised when management wants to pass the proposals opposed by the ISS voting principles. Similarly, *percent of employee ownership in firms' equity market value* in the results of close votes has a coefficient of 0.2062 percentage points, which implies that employee voting rights are more usefully garnered in management's

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[27] I do not include the logit analyses since employee ownership in DC plans are not statistically significant anymore.

favor when management can have influence on voting outcomes with a small shift. However, given that firms with higher employee ownership would be more likely to have ISS recommend against their proposals or have close votes, there would be selection effects in these subsample tests.

Table 6 presents the relation between employee ownership in DC plans and voting support for shareholder sponsored proposals.[28] Again, voting support for shareholder sponsored proposals can be interpreted as voting against management. As a result, I expect a negative relation between employee ownership in DC plans and voting outcomes. The first three columns display the OLS regression results while the last two columns provide the marginal effects of a Logit model of employee ownership on voting outcome. In model (1), the coefficient on *employee ownership dummy* is -2.2274, implying that voting support in favor of shareholder sponsored proposals decreases by 2 percentage point on average. The other employee ownership measures also have negative signs, but they are statistically insignificant. The logit results in the right panel (in column (4) and (5)) show the marginal effect of employee ownership on voting outcomes for shareholder proposals. As predicted, the signs of both employee ownership measures are negative. However, they are not statistically significant.

As expected, the coefficients of control variables are opposite to Table 6, except the *ISS against dummy.* This is because voting support in favor of management can be expressed with voting for management sponsored proposals and voting against shareholder sponsored proposals. ISS opposed shareholder sponsored proposals can be interpreted as those proposals in which ISS agrees with management while ISS recommend shareholder proposals can be interpreted as those proposals in which ISS opposes management. Therefore, employee ownership is more likely to be negatively associated with subsamples for shareholder proposals recommend by ISS. However, none of the employee ownership metrics is statistically significant. Firms protected with more

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[28] The overall purpose of shareholder proposals on social issues differs from governance related proposals such as compensations and directors, and thus I exclude proposals categorized as social issues from the analyses. Given that the management opposes shareholder-sponsored proposals 99.6% of the time and there is no discontinuity in the distribution of voting outcomes in shareholder-sponsored proposal votes at the 50 percent level, the arguments for subsample analyses with the ISS against votes and close votes are not valid in shareholder-sponsored proposals.

antitakeover defense provisions and firms with higher institutional holdings are more likely to oppose management by supporting shareholder proposals. Although shareholder sponsored proposals have non-binding votes, there is evidence that proposals supported by greater than 50% voting support are difficult for the board to ignore (Ertimur, Ferri, and Stubben, 2010). Thus, I conduct a similar test for subsamples for the shareholder proposals that received above 50% voting support, but none of employee ownership metrics is statistically significant.

4.2. Employee Ownership and Voting Outcome by Proposal Types

Due to the fact that more than 70% of management sponsored proposals fall in *director election proposals*, the results in Table 4 are largely driven by these proposals. Therefore, I conduct the same analyses separately for both management- and shareholder-sponsored proposals related to the issue of directors and compensation: *director election, director related, compensation related,* and *say on pay frequency proposals*. These proposals are of particular interest given that they are the most common proposals and therefore provide enough observations for subsample tests. Also, I provide further explanations of subsample tests for each category below.

First, I focus on *director election* proposals. Under plurality voting systems, shareholders have little impact on director elections. However, recent literature shows that although reduced shareholders' voting support does not directly affect director election outcomes; it does lead to changes in board, management, and other governance related issues (Cai et al., 2009; Ertimur et al., 2013; Fischer et al., 2009; Yermack, 2010). Among *director election* proposals, I conduct the subsample analysis for proposals with less than 80% voting support. The logic behind this test is that managers are more likely to implement shareholder requests on governance change when shareholders give greater than 20% votes withheld from directors up for election (Del Guercio, Seery, and Woidtke, 2008).

The results of voting outcomes on director elections are shown in Table 7. The left panel contains the results of all *director election* proposals while the right panel shows the results of *director election* proposals with less than 80% shareholder "For" votes. Employee ownership metrics are statistically significant in all specifications. As more

than 70% of observations in Table 5 are *director election proposals*, the magnitudes of employee ownership on director elections in the left panel are similar to those of Table 4. However, the coefficients of all three metrics of employee ownership are over five times greater compared to the left panel. This result suggests that managers more usefully garner employee-voting rights of company stock in DC plans when there is significant dissatisfaction on a director up for election.

Second, I choose *director related* proposals since issues such as "adopting majority voting for election of directors" and "approving changes in size of board" are important factors that exacerbate managerial entrenchment. Ertimur et al. (2013) examine the effect of a change in director voting system from plurality voting rules to majority voting rules and find 1.43-1.60% of abnormal returns on annual meeting dates when adopting majority of voting for director elections are voted upon.

In Table 8, the left panel contains the results of *director related* management-sponsored proposals while the right panel shows the results of *director related* shareholder-sponsored proposals. Employee ownership is positively associated with voting support for management proposals and negatively associated with voting support for shareholder proposals except in column (5). However, employee ownership metrics are only marginally significant in column (2) and (3). Compared to the results in Table 4 and Table 6, the coefficients of employee ownership measures are mostly greater.

Third, *compensation related* and *say on pay frequency proposals* are closely related to managerial entrenchment because they directly influence the economic welfare of the managers and management (Ashraf et al., 2010). Erimur, Ferri, and Muslu (2011) examine vote no campaigns and compensation related shareholder proposals during the period of 1997-2007 and document a $2.3 million reduction on CEO pay for firms with excess CEO pay and with institutional proponents submitting the pay design proposals. Cai and Walkling (2011) find that say on pay frequency proposals create value for firms that could benefit from improvement in compensation policy.

Table 9 shows the results of *compensated related* management proposals in the left panel and those *compensated related* shareholder proposals in the right panel. *Employee ownership dummy* is only significant in column (1) for management proposals while *percent of employee ownership in DC plans* is only significant in column (5) for

shareholder sponsored proposals. Contrary to expectation, the impact of employee ownership on voting outcomes for these proposals is not significantly larger, compared to the results in Table 4 and Table 5. The results of *say on pay frequency* proposals are displayed in Table 10. Employee ownership metrics are significantly positive except *percent of employee ownership in DC plans*. The effect of employee ownership on voting outcomes of *say on pay frequency* proposals becomes significantly greater than the results of Table 4. Specifically, the coefficient of *percent of employee ownership in firms' equity market value* is nine times larger than the results of all management proposals. With respect to the economic magnitude, an increase in the *percent of employee ownership in firms' equity market value* by one standard deviation is associated with an increase in the proportion of "For" votes of 0.94 percentage points. Considering that $143,000 of abnormal CEO compensation is reduced from a 1 percentage point decrease in director votes, the economic magnitudes of 0.94 percentage points is not trivial.

4.3. Employee Ownership, Voting Outcomes, and Corporate Governance

I next examine the different effects of employee ownership in voting outcomes between firms with good governance and firms with bad governance. The OLS regression results estimated from equation (2) are shown in Table 11. I now add interaction terms between employee ownership and governance in the regression. To aid in interpreting the interaction terms, I use the *employee ownership dummy* as the main independent variable and interact it with one of the governance metrics. In the regression containing cases of all management sponsored proposals in the left panel, the interaction term between *employee ownership dummy* and all governance measures are not statistically significant.

Like the results in Table 5, I expect that the effects of interaction terms are mostly higher for subsample tests with ISS opposed votes (in the middle panel) and with close votes (in the right panel). However, the interaction term with the *Herfindahl-index* is only statistically significant. As for the economic magnitude of the effects, an increase in the *Herfindahl-index* by one standard deviation is associated with an increase in "For" votes of 8.2859*0.19=1.57 percentage points.

In most cases, the interaction terms are not statistically significant, however their signs are consistent with the hypotheses that the effect of employee ownership in DC

plans on voting support for management is stronger in firms that have weaker governance mechanisms (higher entrenchment index, lower institutional ownership, lower industry competition) than firms that have better governance. Similar analyses are conducted for each type of proposals (unreported). I do not find significant effects for interaction terms for shareholder-sponsored proposals.

4.4. Employee Ownership and Managerial Ownership

As mentioned previously, the average percentage of firms' equity market value held by employees in DC plans, 2.45%, may appear to be relatively small. However, once it is combined with managerial ownership, it accounts for 5.18%.[29] In column (2) in Table 12 of the results for management sponsored proposals, the coefficient of the *percent of employee and managerial ownership* is 0.0813, and its economic magnitude is 0.0813* 6.52=0.53 percentage points. Likewise, in column (5) of the results for shareholder sponsored proposals, *percent of employee and managerial ownership* reduce "For" votes by 0.4776*6.52=3.11 percentage points.

As shown in Table 4, managerial ownership is lower in firms with employee ownership than in firms without employee ownership. This suggests that mangers may use employee ownership as a substitute for managerial ownership. If so, the effect of employee ownership on voting outcomes would be higher in firms with lower managerial ownership. To gain more insight into the relationship between employee ownership and managerial ownership in voting outcomes, I examine the different effects of employee ownership in voting outcomes between firms with higher managerial ownership and firms with lower managerial ownership. To do this, I include interactions of *percent of employee ownership in firms' equity market value* with the different levels of *percent of managerial ownership (low, medium and high tertile)*. Column (3) shows that there is no employee ownership effect on voting outcomes for firms with the managerial ownership in all tertiles. In column (6) of the results for shareholder sponsored proposals, one percentage point of employee ownership drops "For" votes by 0.64 percentage points in

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[29] Mitchell and Utkus (2002) show that percent of firm's equity market value held by employees in DC plans for 65 of the largest DC plans is 5.9%, which they argue can be very influential in a tight takeover battle.

the *medium tertile*. Overall, the findings do not support the hypothesis that the effect of employee ownership on voting outcomes is higher in firms with lower managerial ownership.

4.5. Two Stage Least Squares

One possible concern with the specifications I adopt is that the relationship between employee ownership and voting outcomes could result in spurious correlations, caused by governance mechanisms that are used as control variables. For example, managers of firms with higher entrenchment index values have greater control relative to shareholders, and thus they are more likely to increase the fraction of employee DC holdings invested in company stock. At the same time, these managers are less likely to propose shareholder friendly proposals, leading to lower voting support in favor of management. To mitigate this issue, a two-stage least squares (2SLS) analysis is conducted. The instrumental variables in the first stage should be highly correlated with employee ownership while they must not determine voting outcomes.

I begin with regressing the three metrics of employee ownership on variables considered as possible motivations for management to encourage company stock in DC plans, such as tax, cash, union, and defined benefit plans, mentioned in Chapter 2. Among these variables, I exclude firm characteristics (proxies for improving productivity) and governance mechanisms since they determine voting outcomes. Further, I exclude the variables that proxies for tax and union because they are not correlated with employee ownership once exogenous variables (control variables in voting outcomes) have been netted out. This leads to using proxies for cash and defined benefit plans as instrumental variables.

In the first stage, I estimate the equation of the determinants of employee ownership from instrumental variables including interest burden (proxy for cash saving motive), cash flow shortfall (proxy for cash saving motive), DB plan without company stock (proxy for existence of other retirement plans), and DB plan with company stock

(proxy for existence of other retirement plans), and from industry and year dummies.[30] I then obtain the estimated values of employee ownership. Table 13 presents the results of 2SLS for management sponsored proposals.[31] The results of the first stage are shown in columns (1), (3), and (5). These instrumental variables are statistically significant except in column (3). The F statistics for endogeneity imply that we cannot reject the null hypothesis of no correlation between the error terms in the second stage and instrumental variables.[32] The results suggest that the 2SLS model is properly identified. The adjusted R^2 of the first stage regression ranges as high as 0.2. In the second stage, I use these estimated values of employee ownership in the regression of voting outcomes. The results are shown in columns (2), (4), and (6). The effects of the three metrics of employee ownership are much stronger than the results with OLS in Table 4. For example, an increase in *percent employee ownership in firms' equity market value* of one standard deviation is associated with an increase in the proportion of "For" votes of 0.4115*2.45=1.01 percentage points. I conduct the similar tests for shareholder sponsored proposals as well. However, none of the instrumental variables are significant, and the reported adjusted R^2 is very low. Further, I cannot reject the null the hypothesis of F statistics for endogeneity.

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[30] Interest burden is defined as the interest expense scaled by operating income before depreciation; cash flow shortfall is defined as cash flow used for investment plus dividends less cash flow from operations, scaled by total assets; dividend yield is dividend scaled by the fiscal year closing stock price; a company is categorized as having a DB plan without company stock if all DB plans do not include company stock; a company is categorized as having a DB plan with company stock if at least one DB plan includes company stock. I average Interest burden, cash flow shortfall, and dividend yield over three years and then winsorized at the 1st and 99th percentiles.

[31] None of these instrumental variables used in management-sponsored proposals reject the endogeneity of employee ownership in shareholder-sponsored proposals.

[32] I implement a Durbin-Wu-Hausman test of the endogeneity of regressors.

CHAPTER V

CONCLUSION

The huge drop in stock prices of firms at which employees have a large fraction of DC holdings invested in company stock such as Enron lead to debates on inclusion of company stock in the menu of investment options in DC plans. Given the fact that many DC plans are combined with profit sharing features, stock bonus features, or ESOP features, managers of firms offering employee ownership can justify this behavior by arguing that employee ownership enhances productivity and enjoys tax benefits. However, these explanations have little empirical support.

This paper considers whether firms' decisions to offer company stock in DC plans are motivated by the managers' desires to increase managerial power. Using a large sample of the proxy voting data from 2003 to 2012, I find that firms with DC holdings invested in company stock have higher levels of voting support for management proposals. This result suggests that managers provide employee ownership through DC plans to receive higher voting support in favor of management.

The effects of company stock in DC plans become stronger in subsample tests with management proposals opposed by ISS and with close votes. This is the time when the employee vote might be more important to management. The subsamples tests with director election votes receiving more than 20% votes withheld also show the greater effects of employee ownership on voting outcomes. This is because managers are more likely to implement shareholder requests on governance change when shareholders give greater than 20% votes withheld from directors up for election. Finally, the subsample tests with say on pay frequency proposals provide significantly larger effects of employee ownership on voting outcomes. These proposals are closely related to managerial entrenchment because they directly influence the economic welfare of the managers and management. Specifically, in *Say on pay frequency* proposals, an increase in the *percent of employee ownership in firms' equity market value* by one standard deviation is associated with an increase in the proportion of "For" votes of 0.94 percentage points. Considering that Cai et al. (2009) find that a 1% decrease in the average votes for compensation committee members associates with reductions in abnormal CEO

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compensation by $143,000 in the following year, the effects of employee ownership are economically meaningful.

If company stock in DC plans is used as a motive for managers' control, I expect that the effect of employee ownership in voting outcomes will be larger for firms with poor governance. Using interaction terms between employee ownership and governance metrics, I find that the presence of good governance mechanisms mitigates the positive effect of employee ownership in voting support for management while the presence of bad governance mechanisms aggravates the positive effect of employee ownership. However, the effects are only weakly significant.

Table 1
Employee Ownership in Defined Contribution (DC) Plans by Year

Year	No. firms in sample	No. firms with nonzero DC employee ownership	% of firms with nonzero DC employee ownership	% of employee ownership in DC plans (nonzero employee ownership only)	% of employee ownership in firms' equity market value (nonzero employee ownership only)
	Count	Count	Ratio (%)	Mean (%)	Mean (%)
Panel A: Full Form 5500 sample					
2002	3,019	1,325	43.9	30.4	3.2
2003	3,039	1,335	43.9	30.3	3.0
2004	3,018	1,309	43.4	28.5	2.6
2005	2,967	1,313	44.3	27.2	2.4
2006	2,942	1,280	43.5	26.1	2.1
2007	2,830	1,199	42.4	24.1	1.9
2008	2,742	1,129	41.2	22.4	2.0
2009	2,894	1,152	39.8	22.0	2.0
2010	2,765	1,113	40.3	22.3	1.9
2011	2,618	1,039	39.7	20.9	1.8
Total	28,834	12,194	42.3	25.7	2.3
Panel B: Final sample					
2002	785	431	54.9	26.4	3.4
2003	870	487	56.0	26.1	3.1
2004	998	572	57.3	25.4	2.8
2005	998	568	56.9	23.9	2.6
2006	972	555	57.1	22.4	2.3
2007	1,004	568	56.6	19.6	2.0
2008	1,083	583	53.8	18.7	2.1
2009	1,102	588	53.4	18.3	2.1
2010	1,127	586	52.0	17.9	2.0
2011	1,135	566	49.9	17.2	1.9
Total	10,093	5,504	54.5	21.3	2.4

Summary statistics over time for the employee ownership variables in the full Form 5500 sample (Panel A) and final sample (Panel B). I obtain the number of firms with employee ownership in DC plans, the value of DC employee ownership, and the total DC assets from the Form 5500. The first two columns report the total number of firms in the sample and the total number of firms with non-zero employee ownership in DC plans only. The third column provides the percentage of firms with non-zero DC ownership in the sample. The fifth column presents the percentage of employee holdings invested in DC plans, and the final column reports the percentage of a firm's equity market value that employees hold through DC plans.

Table 2
Frequency and Percentage Support for Proposals by Categories

Category	All firms			Firms without employee ownership		Firms with employee ownership	
	Freq.(%)	Obs	Mean(%)	Obs	Mean(%)	Obs	Mean(%)
Panel A. *Management proposals*							
Director elections	75.2	52,390	94.6	23,469	94.4	28,921	94.7
with Majority voting rules	17.5	12,664	95.9	5,318	95.9	7,346	95.9
with Plurality voting rules	54.7	39,726	94.2	18,151	94.0	21,575	94.4
Director related (except director elections)	0.8	592	85.9	224	86.2	368	85.7
Compensation related	11.0	8,004	86.3	3,813	85.7	4,191	86.9
Say on pay frequency	1.5	1,073	71.9	513	70.9	560	72.8
Antitakeover related	0.6	406	80.0	181	79.0	225	80.8
Routine/Business related	12.5	9,080	97.5	4,208	97.7	4,872	97.3
Capitalization related	0.9	654	79.0	280	78.5	374	79.4
Reorganization and Mergers related	0.3	227	83.0	99	83.4	128	82.7
Others	0.2	134	83.0	53	80.2	81	85.0
Total	100.0	72,560	93.4	32,840	93.1	39720	93.6
Panel B. *Shareholder proposals*							
Director related	26.9	1,193	52.3	495	54.0	698	51.1
Compensation related	21.1	936	29.2	344	29.7	592	29.0
Corporate governance related	8.5	376	52.4	181	52.4	195	52.3
Routine/Business related	6.7	299	29.0	98	30.7	201	28.1
Miscellaneous	14.8	656	20.5	239	20.1	417	20.7
Social issues	20.2	897	12.7	326	11.5	571	13.4
Others	1.8	79	42.3	35	41.6	44	42.8
Total	100.0	4,436	33.0	1,718	34.6	2718	32.0

Frequency and percentage voting support for proposals by categories of all sample firms, firms without employee ownership in DC plans, and firms with employee ownership in DC plans. The sample consists of all management sponsored proposals in Panel A and all shareholder sponsored proposals in Panel B. I obtain the data on aggregate voting outcomes of the period 2003-2012 from ISS Voting Analytics. For each proposal type, the number of proposals and the average level of voting support are reported. I compute the level of voting support by dividing the total number of shares voted for by their base which serves as the dominator of the calculation of voting support rate. The three types of bases are total number of *"For"* and *"Against"* votes, total number of *"For"*, *"Against"*, and *"Abstain"* votes, and total number of outstanding shares eligible for a vote.

Table 3
Sample Firm Characteristics

	All firms		Firms without employee ownership		Firms with employee ownership		Difference between (3) and (5)
	Mean (1)	SD (2)	Mean (3)	SD (4)	Mean (5)	SD (6)	T-stat (7)
Employee ownership measures							
Employee ownership dummy	0.55		0		1.00		
% of employee ownership in DC plans	11.66	19.08	0		21.38	19.97	-79.43***
% of employee ownership in equity market value	1.31	2.45	0		2.40	2.89	-61.62***
Governance measures							
E-index	2.53	1.34	2.36	1.32	2.68	1.34	-12.23***
% of institutional ownership	77.89	17.55	80.27	17.35	75.89	17.47	12.59***
Herfindahl index	0.19	0.18	0.18	0.17	0.20	0.18	-4.09***
Control variables affecting votes							
% of managerial ownership	2.94	6.18	3.18	6.54	2.78	5.85	3.53***
Market capitalization	21.56	1.50	21.42	1.53	21.68	1.47	-9.40***
Market to book	1.84	1.02	1.97	1.09	1.73	0.94	11.76***
Past performance	0.08	0.38	0.10	0.41	0.07	0.35	2.66**
ISS against dummy	0.09		0.09	0.28	0.09	0.29	
Confidential voting dummy	0.13		0.12	0.32	0.15	0.35	
Majority voting dummy	0.16		0.15	0.36	0.17	0.38	
Observations	10,093		4,589		5,504		

Sample firm characteristics. The sample of 72,560 management sponsored proposals and 4,436 shareholder sponsored proposals corresponds to 10,093firm-year observation. I obtain pension data from Form 5500, governance data from RiskMetrics, institutional holding data from Thomson Financial's CDA/Spectrum, managerial ownership data from Standard & Poor's ExecuComp, and financial data from Compustat and CRSP. All variables are defined in the Table A2 in the Appendix. I winsorized all continuous variables at the 1st and 99th percentiles to avoid outliers.

Table 4
Employee Ownership in DC Plans and Voting Support (All Management Proposals)

	OLS			Logit	
	% of voting support (1)	% of voting support (2)	% of voting support (3)	Pass/fail (4)	Pass/fail (5)
Employee ownership dummy	0.4953***			0.0011*	
	(0.1473)			(0.0007)	
% of employee ownership in DC Plans		0.0080**			
		(0.0038)			
% of employee ownership in equity market value			0.0401*		0.0003*
			(0.0241)		(0.0002)
% of managerial ownership	0.0871***	0.0869***	0.0872***	0.0003***	0.0003***
	(0.0170)	(0.0169)	(0.0169)	(0.0001)	(0.0001)
E-index	-0.3395***	-0.3277***	-0.3223***	-0.0008***	-0.0008***
	(0.0571)	(0.0571)	(0.0572)	(0.0003)	(0.0003)
% of institutional ownership	-0.0150***	-0.0143***	-0.0151***	-0.0000	-0.0000
	(0.0047)	(0.0048)	(0.0048)	(0.0000)	(0.0000)
Herfindahl-index	-0.4157	-0.3658	-0.3754	0.0013	0.0013
	(0.4668)	(0.4713)	(0.4707)	(0.0019)	(0.0019)
ISS against dummy	-25.0101***	-25.0047***	-25.0016***	-0.0182***	-0.0182***
	(0.5597)	(0.5596)	(0.5593)	(0.0010)	(0.0010)
Confidential voting dummy	-0.4047**	-0.3923**	-0.4072**	-0.0020**	-0.0021**
	(0.1748)	(0.1769)	(0.1766)	(0.0010)	(0.0010)
Majority voting dummy	0.1648	0.1848	0.1723	0.0003	0.0003
	(0.1366)	(0.1380)	(0.1370)	(0.0006)	(0.0006)
Market capitalization	0.1486**	0.1430**	0.1566**	0.0001	0.0001
	(0.0622)	(0.0641)	(0.0621)	(0.0003)	(0.0002)
Market to book	0.3086***	0.2887***	0.3005***	0.0004	0.0004
	(0.0759)	(0.0751)	(0.0760)	(0.0003)	(0.0003)
Past performance	0.2664**	0.2536**	0.2563**	0.0015**	0.0015**
	(0.1282)	(0.1288)	(0.1288)	(0.0007)	(0.0007)

Table 4 (continued).

	OLS			Logit	
	% of voting support	% of voting support	% of voting support	Pass/fail	Pass/fail
	(1)	(2)	(3)	(4)	(5)
Director elections(M)	10.8356***	10.7957***	10.8148***	0.0232***	0.0233***
	(1.7956)	(1.8223)	(1.8260)	(0.0032)	(0.0032)
Director related(M)	1.4444	1.3886	1.4180	-0.0056**	-0.0056**
	(1.8764)	(1.9015)	(1.9054)	(0.0028)	(0.0028)
Compensation related(M)	3.8717**	3.8276**	3.8456**	0.0087***	0.0088***
	(1.7928)	(1.8193)	(1.8231)	(0.0025)	(0.0025)
Say on pay frequency(M)	-5.3695***	-5.4147***	-5.3959***	-0.0034	-0.0033
	(1.8402)	(1.8657)	(1.8694)	(0.0023)	(0.0023)
Antitakeover related(M)	-2.5912	-2.6441	-2.6301	-0.0053	-0.0053
	(1.9501)	(1.9753)	(1.9785)	(0.0033)	(0.0032)
Routine/Business related(M)	12.5313***	12.4846***	12.5010***	0.0079***	0.0080***
	(1.7862)	(1.8130)	(1.8169)	(0.0026)	(0.0026)
Capitalization related(M)	-3.7503*	-3.7980*	-3.7774*	0.0014	0.0015
	(1.9683)	(1.9935)	(1.9968)	(0.0030)	(0.0029)
Reorganization and Mergers related(M)	-1.2915	-1.3296	-1.3110	0.0011	0.0013
	(2.0310)	(2.0529)	(2.0562)	(0.0036)	(0.0036)
Year dummies	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes
Observations	72560	72560	72560	72513	72513
R-squared	0.5850	0.5847	0.5846		
Pseudo r-squared				0.6307	0.6309

Results relating voting support and employee ownership in DC plans. The sample includes all management sponsored proposals. I estimate ordinary least squares (OLS) regressions from the equation (1) in columns (1)-(3). The dependent variable is the percentage of "For" votes on proposals. The marginal effects of logit analyses are reported in column (4)-(5). The dependent variable is equal to one if the proposal is passed, zero otherwise. All other variables are defined in Table A2 in the Appendix. All specifications are estimated with year dummies and Fama-French 12 industry dummies but not reported. Standard errors reported in parentheses are clustered at firm level. All continuous variables are winsorized at the 1st and 99th percentiles except the E-index. ***, **, * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively.

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Table 5
Employee Ownership in DC Plans and Voting Support (ISS Opposed Management Proposals only and Management Proposals with Close Votes only)

	ISS opposed votes only			Close votes only		
	% of voting support (1)	% of voting support (2)	% of voting support (3)	% of voting support (4)	% of voting support (5)	% of voting support (6)
Employee ownership dummy	1.6019**			1.4874***		
	(0.9555)			(0.4420)		
% of employee ownership in DC Plans		0.0082			0.0071	
		(0.0237)			(0.0129)	
% of employee ownership in equity market value			0.0911**			0.2062**
			(0.1521)			(0.0903)
% of managerial ownership	0.3390***	0.3376***	0.3388***	0.0658*	0.0709*	0.0747*
	(0.0677)	(0.0670)	(0.0668)	(0.0389)	(0.0392)	(0.0387)
E-index	-1.5813***	-1.5293***	-1.5375***	-0.2421	-0.1748	-0.2051
	(0.3784)	(0.3761)	(0.3722)	(0.1839)	(0.1850)	(0.1845)
% of institutional ownership	-0.1744***	-0.1749***	-0.1750***	-0.0737***	-0.0740***	-0.0712***
	(0.0265)	(0.0266)	(0.0266)	(0.0144)	(0.0147)	(0.0146)
Herfindahl-index	-0.2073	-0.0798	-0.1060	1.1193	1.3680	1.3678
	(2.8743)	(2.8975)	(2.8874)	(1.5842)	(1.6290)	(1.6160)
ISS against dummy				-6.5207***	-6.4136***	-6.4886***
				(0.4751)	(0.4802)	(0.4812)
Confidential voting dummy	-0.6264	-0.7482	-0.7460	0.0720	0.0909	0.0728
	(1.1136)	(1.0966)	(1.0985)	(0.5439)	(0.5425)	(0.5404)
Majority voting dummy	-0.4142	-0.2761	-0.2961	0.3222	0.3432	0.3130
	(1.1080)	(1.1218)	(1.1204)	(0.5414)	(0.5378)	(0.5372)
Market capitalization	0.7641**	0.7763**	0.7857**	0.6730***	0.6959***	0.7016***
	(0.3323)	(0.3347)	(0.3278)	(0.1500)	(0.1534)	(0.1506)
Market to book	-0.0834	-0.1064	-0.0852	0.1011	0.0847	0.1164
	(0.4876)	(0.4789)	(0.4869)	(0.2258)	(0.2283)	(0.2286)
Past performance	-0.7680	-0.8388	-0.8277	0.3767	0.2626	0.2869
	(0.7222)	(0.7250)	(0.7248)	(0.4973)	(0.4981)	(0.4952)

Table 5. (continued).

	ISS opposed votes only			Close votes only		
	% of voting support	% of voting support	% of voting support	% of voting support	% of voting support	% of voting support
	(1)	(2)	(3)	(4)	(5)	(6)
Director elections(M)	15.5493***	15.8626***	15.8651***	9.7239***	9.7065***	9.7269***
	(4.1757)	(4.0938)	(4.1012)	(2.3400)	(2.3170)	(2.3293)
Director related(M)	-0.9371	-0.5523	-0.4992	2.2631	2.2256	2.2567
	(8.4230)	(8.3770)	(8.3457)	(2.7538)	(2.7378)	(2.7532)
Compensation related(M)	8.3356**	8.5921**	8.5973**	7.7470***	7.7433***	7.7696***
	(4.1753)	(4.0969)	(4.1037)	(2.3564)	(2.3304)	(2.3449)
Say on pay frequency(M)	-14.5328***	-14.3039***	-14.2833***	-6.7221***	-6.7455***	-6.7069***
	(4.2699)	(4.1962)	(4.2001)	(2.4206)	(2.3930)	(2.4099)
Antitakeover related(M)	1.9813	2.2865	2.2271	3.6954	3.6923	3.5908
	(5.0131)	(4.9638)	(4.9729)	(2.7588)	(2.7364)	(2.7461)
Routine/Business related(M)	8.2789*	8.6597*	8.6386*	4.5724*	4.7168*	4.6218*
	(4.6528)	(4.5759)	(4.5750)	(2.5916)	(2.5772)	(2.5930)
Capitalization related(M)	3.2142	3.6012	3.6091	5.4516**	5.4147**	5.4286**
	(4.6319)	(4.5649)	(4.5582)	(2.4554)	(2.4234)	(2.4388)
Reorganization and Mergers related(M)	-3.4177	-3.0557	-3.0381	6.0779**	5.9849**	6.0759**
	(8.5964)	(8.4856)	(8.4730)	(2.7471)	(2.6974)	(2.7130)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	5219	5219	5219	3062	3062	3062
R-squared	0.4068	0.4049	0.4049	0.3010	0.2958	0.2974

Results relating voting support and employee ownership in DC plans. The left panel presents the results from the subsample where ISS opposed management proposals, and the right panel shows the results from the subsample with close votes that have 30% to 60% of voting support. I estimate ordinary least squares (OLS) regressions from the equation (1). The dependent variable is the percentage of "For" votes on proposals. All other variables are defined in Table A2 in the Appendix. All specifications are estimated with year dummies and Fama-French 12 industry dummies but not reported. Standard errors reported in parentheses are clustered at firm level. All continuous variables are winsorized at the 1st and 99th percentiles except the E-index. ***, **, * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 6
Employee Ownership in DC Plans and Voting Support (All Shareholder Proposals)

	OLS			Logit	
	% of voting support	% of voting support	% of voting support	Pass/fail	Pass/fail
	(1)	(2)	(3)	(4)	(5)
Employee ownership dummy	-2.2274*			-0.0253	
	(1.2637)			(0.0218)	
% of employee ownership in DC Plans		-0.0085			
		(0.0266)			
% of employee ownership in equity market value			-0.3164		-0.0057
			(0.2009)		(0.0040)
% of managerial ownership	-0.5113***	-0.5256***	-0.5335***	-0.0078***	-0.0081***
	(0.1617)	(0.1623)	(0.1646)	(0.0026)	(0.0027)
E-index	1.2234**	1.1596**	1.2107**	0.0282***	0.0283***
	(0.5307)	(0.5355)	(0.5260)	(0.0097)	(0.0097)
% of institutional ownership	0.1453***	0.1423**	0.1366**	0.0028***	0.0026***
	(0.0523)	(0.0561)	(0.0539)	(0.0009)	(0.0009)
Herfindahl-index	-0.2424	-0.1615	-0.2579	-0.0214	-0.0181
	(3.5075)	(3.5152)	(3.4455)	(0.0713)	(0.0720)
ISS against dummy	-27.4073***	-27.3894***	-27.4305***	-0.4590***	-0.4594***
	(0.8660)	(0.8569)	(0.8658)	(0.0558)	(0.0557)
Confidential voting dummy	-0.4492	-0.3400	-0.3547	-0.0084	-0.0085
	(1.2540)	(1.2852)	(1.2756)	(0.0234)	(0.0234)
Majority voting dummy	-3.6968***	-3.6988***	-3.7007***	-0.0160	-0.0163
	(1.4152)	(1.4174)	(1.4166)	(0.0237)	(0.0236)
Market capitalization	-2.2287***	-2.2232***	-2.2750***	-0.0356***	-0.0364***
	(0.5023)	(0.5082)	(0.5055)	(0.0088)	(0.0088)
Market to book	0.4707	0.5364	0.4587	-0.0009	-0.0012
	(0.6387)	(0.6611)	(0.6594)	(0.0122)	(0.0123)
Past performance	1.4783	1.6192	1.6195	0.0255	0.0270
	(1.5536)	(1.5736)	(1.5631)	(0.0244)	(0.0244)

Table 6. (continued).

	OLS			Logit	
	% of voting support	% of voting support	% of voting support	Pass/fail	Pass/fail
	(1)	(2)	(3)	(4)	(5)
Director related(S)	9.1551***	9.2345***	9.1980***	0.0754	0.0759
	(2.1399)	(2.1263)	(2.1277)	(0.0483)	(0.0478)
Compensation related(S)	-4.1345**	-4.1895**	-4.2020**	-0.1582***	-0.1591***
	(1.8665)	(1.8407)	(1.8487)	(0.0479)	(0.0474)
Corporate governance related(S)	11.9813***	12.1514***	12.0679***	0.1775***	0.1783***
	(2.0267)	(2.0235)	(2.0243)	(0.0472)	(0.0468)
Routine/Business related(S)	-4.2339**	-4.3270**	-4.3106**	-0.2866***	-0.2871***
	(1.9373)	(1.9181)	(1.9251)	(0.0614)	(0.0609)
Year dummies	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes
Observations	2883	2883	2883	2875	2875
R-squared	0.5590	0.5573	0.5582		
Pseudo r-squared				0.5590	0.5582

Results relating voting support and employee ownership in DC plans. The sample includes shareholder sponsored proposals. I estimate ordinary least squares (OLS) regressions from the equation (1) in columns (1)-(3). The dependent variable is the percentage of "For" votes on proposals. The marginal effects of logit analyses are reported in columns (4)-(5). The dependent variable is equal to one if the proposal is passed, zero otherwise. All other variables are defined in Table A2 in the Appendix. All specifications are estimated with year dummies and Fama-French 12 industry dummies but not reported. Standard errors reported in parentheses are clustered at firm level. All continuous variables are winsorized at the 1st and 99th percentiles except the E-index. ***, **, * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 7
Employee Ownership in DC Plans and Voting Support (Director Election Proposals and Director Election Proposals with 20% withheld Votes only)

	All director election proposals			Director election proposals with 20% withheld votes only		
	% of voting support (1)	% of voting support (2)	% of voting support (3)	% of voting support (4)	% of voting support (5)	% of voting support (6)
Employee ownership dummy	0.4515*** (0.1624)			2.4971*** (0.7005)		
% of employee ownership in DC Plans		0.0090** (0.0043)			0.0484** (0.0233)	
% of employee ownership in equity market value			0.0388* (0.0270)			0.3689** (0.1529)
% of managerial ownership	0.0655*** (0.0204)	0.0653*** (0.0203)	0.0655*** (0.0203)	-0.0427 (0.0543)	-0.0406 (0.0555)	-0.0321 (0.0569)
E-index	-0.3312*** (0.0628)	-0.3236*** (0.0625)	-0.3165*** (0.0623)	-0.2370 (0.2907)	-0.2069 (0.2877)	-0.2140 (0.2888)
% of institutional ownership	-0.0140*** (0.0052)	-0.0131** (0.0054)	-0.0141*** (0.0053)	-0.1195*** (0.0216)	-0.1139*** (0.0224)	-0.1166*** (0.0220)
Herfindahl-index	-0.6301 (0.5172)	-0.5827 (0.5213)	-0.5908 (0.5203)	4.0893* (2.3209)	4.4846* (2.3434)	4.3463* (2.3067)
ISS against dummy	-23.5127*** (0.6683)	-23.5041*** (0.6678)	-23.5012*** (0.6677)	-8.8261*** (0.7944)	-8.6726*** (0.8155)	-8.6193*** (0.8386)
Confidential voting dummy	-0.2841 (0.1818)	-0.2713 (0.1836)	-0.2845 (0.1832)	1.8866** (0.8336)	1.7418** (0.8076)	1.8166** (0.8333)
Majority voting dummy	0.4797*** (0.1455)	0.5000*** (0.1465)	0.4867*** (0.1460)	2.7288*** (0.8435)	2.8646*** (0.8428)	2.8095*** (0.8617)
Market capitalization	0.1611** (0.0653)	0.1528** (0.0673)	0.1675** (0.0652)	0.4438* (0.2426)	0.4191 (0.2549)	0.4586* (0.2557)
Market to book	0.3469*** (0.0859)	0.3281*** (0.0849)	0.3410*** (0.0856)	0.1934 (0.4110)	0.1422 (0.3986)	0.2353 (0.3962)

Table 7. (continued).

	All director election proposals			Director election proposals with 20% withheld votes only		
	% of voting support (1)	% of voting support (2)	% of voting support (3)	% of voting support (4)	% of voting support (5)	% of voting support (6)
Past performance	0.1658	0.1540	0.1606**	-0.4442	-0.6405	-0.5735
	(0.1541)	(0.1545)	(0.0737)	(0.4553)	(0.4560)	(0.4572)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	52390	52390	52390	3188	3188	3188
R-squared	0.5600	0.5596	0.5594	0.1898	0.1817	0.1817

Results relating voting support and employee ownership in DC plans. The left panel contains the results of all *director election* proposals, and the right panel shows the results of *director election* proposals with less than 80% shareholder "For" votes. I estimate ordinary least squares (OLS) regressions from the equation (1). The dependent variable is the percentage of "For" votes on proposals. All other variables are defined in Table A2 in the Appendix. All specifications are estimated with year dummies and Fama-French 12 industry dummies but not reported. Standard errors reported in parentheses are clustered at firm level. All continuous variables are winsorized at the 1st and 99th percentiles except the E-index. ***, **, * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 8
Employee Ownership in DC Plans and Voting Support (Director Related Management Proposals and Director Related Shareholder Proposals only)

	Director related management proposals only			Director related shareholder proposals only		
	% of voting support (1)	% of voting support (2)	% of voting support (3)	% of voting support (4)	% of voting support (5)	% of voting support (6)
Employee ownership dummy	0.3655			-2.9451		
	(1.1618)			(2.0672)		
% of employee ownership in DC Plans		0.0396*			0.0033	
		(0.0229)			(0.0488)	
% of employee ownership in equity market value			0.2821*			-0.3819
			(0.1663)			(0.3690)
% of managerial ownership	0.1941*	0.1929*	0.2060*	-0.3418	-0.3747	-0.3826
	(0.1094)	(0.1141)	(0.1154)	(0.2766)	(0.2799)	(0.2832)
E-index	0.3341	0.3458	0.3433	1.0761	1.0269	1.0698
	(0.5137)	(0.5046)	(0.5038)	(0.8559)	(0.8656)	(0.8608)
% of institutional ownership	0.0000	0.0118	0.0093	0.2682***	0.2692***	0.2580***
	(0.0459)	(0.0493)	(0.0470)	(0.0691)	(0.0769)	(0.0735)
Herfindahl-index	1.0429	0.9472	0.6952	2.4466	1.8490	2.0000
	(3.4839)	(3.4485)	(3.4595)	(6.4734)	(6.4823)	(6.4325)
ISS against dummy	-29.1370***	-29.0743***	-28.8815***	-31.5761***	-31.5221***	-31.6129***
	(7.3948)	(7.4574)	(7.4072)	(2.0756)	(2.0378)	(2.0675)
Confidential voting dummy	-0.7847	-0.5328	-0.7152	0.3380	0.5331	0.3965
	(1.6104)	(1.5673)	(1.5757)	(2.1808)	(2.2557)	(2.2205)
Majority voting dummy	-1.8154	-1.8613	-1.9869	-6.0572***	-6.1635***	-6.1182***
	(1.5069)	(1.5003)	(1.5172)	(2.2366)	(2.2318)	(2.2328)
Market capitalization	-1.1905***	-1.2192***	-1.1681***	-3.7966***	-3.7710***	-3.8217***
	(0.3876)	(0.3823)	(0.3887)	(0.7417)	(0.7565)	(0.7519)
Market to book	2.1148***	1.9336***	2.1210***	0.8138	0.8870	0.8227
	(0.6043)	(0.6017)	(0.6028)	(0.8664)	(0.9002)	(0.9122)

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Table 8. (continued).

	Director related management proposals only			Director related shareholder proposals only		
	% of voting support (1)	% of voting support (2)	% of voting support (3)	% of voting support (4)	% of voting support (5)	% of voting support (6)
Past performance	-2.6559	-2.8784	-2.8901	1.4801	1.6978	1.6721
	(1.9651)	(1.9510)	(1.9559)	(1.8349)	(1.8288)	(1.8153)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	592	592	592	1193	1193	1193
R-squared	0.2470	0.2506	0.2499	0.4541	0.4512	0.4526

Results relating voting support and employee ownership in DC plans. The left panel presents the results of *director related* management sponsored proposals, and the right panel presents the results of *director related* shareholder sponsored proposals. I estimate ordinary least squares (OLS) regressions from the equation (1). The dependent variable is the percentage of "For" votes on proposals. All other variables are defined in Table A2 in the Appendix. All specifications are estimated with year dummies and Fama-French 12 industry dummies but not reported. Standard errors reported in parentheses are clustered at firm level. All continuous variables are winsorized at the 1st and 99th percentiles except the E-index. ***, **, * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 9
Employee Ownership in DC Plans and Voting Support (Compensation Related Management and Compensation related shareholder Proposals only)

	Compensation related management proposals only			Compensation related shareholder proposals only		
	% of voting support (1)	% of voting support (2)	% of voting support (3)	% of voting support (4)	% of voting support (5)	% of voting support (6)
Employee ownership dummy	0.9778*** (0.3269)			-1.1907 (1.0340)		
% of employee ownership in DC Plans		0.0132 (0.0091)			-0.0373* (0.0216)	
% of employee ownership in equity market value			0.0747 (0.0650)			-0.1303 (0.1737)
% of managerial ownership	0.1951*** (0.0260)	0.1939*** (0.0258)	0.1947*** (0.0258)	-0.4006*** (0.0980)	-0.4106*** (0.0967)	-0.4142*** (0.0963)
E-index	-0.4582*** (0.1398)	-0.4306*** (0.1413)	-0.4198*** (0.1407)	1.2741*** (0.3492)	1.2746*** (0.3498)	1.2311*** (0.3500)
% of institutional ownership	-0.0482*** (0.0106)	-0.0476*** (0.0106)	-0.0485*** (0.0106)	0.0264 (0.0471)	0.0154 (0.0483)	0.0235 (0.0484)
Herfindahl-index	-0.3809 (1.0470)	-0.2939 (1.0433)	-0.3331 (1.0446)	-5.9263** (2.8955)	-5.7656** (2.8086)	-5.7547** (2.8839)
ISS against dummy	-24.7205*** (0.6309)	-24.7303*** (0.6292)	-24.7302*** (0.6286)	-28.6001*** (0.9310)	-28.5915*** (0.9225)	-28.6178*** (0.9213)
Confidential voting dummy	-1.3294*** (0.4307)	-1.2982*** (0.4300)	-1.3339*** (0.4310)	-1.3264 (0.9326)	-1.2479 (0.9182)	-1.2619 (0.9371)
Majority voting dummy	-1.2025*** (0.3687)	-1.1672*** (0.3705)	-1.1886*** (0.3694)	1.4540 (1.1028)	1.4128 (1.1007)	1.5164 (1.1022)
Market capitalization	0.4485*** (0.1387)	0.4456*** (0.1411)	0.4698*** (0.1383)	0.0782 (0.4581)	0.1439 (0.4605)	0.0278 (0.4544)
Market to book	0.4321*** (0.1664)	0.3915** (0.1660)	0.4093** (0.1668)	-0.4971 (0.5498)	-0.3573 (0.5587)	-0.4899 (0.5546)

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Table 9. (continued).

	Compensation related management proposals only			Compensation related shareholder proposals only		
	% of voting support (1)	% of voting support (2)	% of voting support (3)	% of voting support (4)	% of voting support (5)	% of voting support (6)
Past performance	1.1095***	1.0876***	1.0859***	1.0786	1.1214	1.1492
	(0.2802)	(0.2788)	(0.2787)	(1.2552)	(1.2390)	(1.2361)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	8004	8004	8004	936	936	936
R-squared	0.4206	0.4196	0.4195	0.6721	0.6726	0.6715

Results relating voting support and employee ownership in DC plans. The left panel presents the results of *compensation related* management sponsored proposals, and the right panel presents the results of *compensation related* shareholder sponsored proposals. I estimate ordinary least squares (OLS) regressions from the equation (1). The dependent variable is the percentage of "For" votes on proposals. All other variables are defined in Table A2 in the Appendix. All specifications are estimated with year dummies and Fama-French 12 industry dummies but not reported. Standard errors reported in parentheses are clustered at firm level. All continuous variables are winsorized at the 1st and 99th percentiles except the E-index. ***, **, * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 10
Employee Ownership in DC Plans and Voting Support (Say on Pay Frequency Proposals only)

	% of voting support (1)	% of voting support (2)	% of voting support (3)
Employee ownership dummy	1.5386** (0.7742)		
% of employee ownership in DC Plans		0.0235 (0.0236)	
% of employee ownership in equity market value			0.3841** (0.1668)
% of managerial ownership	0.4729*** (0.1325)	0.4686*** (0.1326)	0.4721*** (0.1324)
E-index	-1.2016*** (0.4061)	-1.1631*** (0.4020)	-1.0906*** (0.3983)
% of institutional ownership	-0.0993*** (0.0327)	-0.0986*** (0.0332)	-0.0952** (0.0329)
Herfindahl-index	3.3196 (2.1724)	3.4922 (2.1799)	3.4194 (2.1769)
ISS against dummy	-47.3834*** (0.9406)	-47.4572*** (0.9401)	-47.4436*** (0.9312)
Confidential voting dummy	-2.2178*** (0.8270)	-2.1738*** (0.8346)	-2.2608*** (0.8515)
Majority voting dummy	-1.0975 (0.8147)	-1.0262 (0.8251)	-1.0825 (0.8168)
Market capitalization	0.1047 (0.3147)	0.0981 (0.3184)	0.1324 (0.3111)
Market to book	-0.3215 (0.4209)	-0.4030 (0.4148)	-0.3440 (0.4183)
Past performance	1.0936 (0.8583)	1.0574 (0.8617)	1.0612 (0.8542)
Year dummies	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes
Observations	1073	1073	1073
R-squared	0.7987	0.7981	0.7986

Results relating voting support and employee ownership in DC plans. The sample includes *Say on pay frequency* proposals. I estimate ordinary least squares (OLS) regressions from the equation (1). The dependent variable is the percentage of "For" votes on proposals. All specifications are estimated with year dummies and Fama-French 12 industry dummies but not reported. Standard errors reported in parentheses are clustered at firm level. All other variables are defined in Table A2 in the Appendix. All continuous variables are winsorized at the 1st and 99th percentiles except the E-index. ***, **, * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 11

Employee ownership in DC plans, voting support, and governance (Management sponsored proposals)

	% of voting support (1)	% of voting support (2)	% of voting support (3)	% of voting support (4)	% of voting support (5)	% of voting support (6)	% of voting support (7)	% of voting support (8)	% of voting support (9)
Employee ownership dummy	0.5153***	1.2667*	0.3499*	1.0799	0.1637	-0.2041	1.4851***	-1.6987	0.9989
	(0.1766)	(0.6709)	(0.2090)	(1.1755)	(3.3214)	(1.2549)	(0.5341)	(2.1120)	(0.6274)
Employee ownership dummy * E-index	-0.0491			1.1800			0.0045		
	(0.1743)			(1.1474)			(0.7235)		
Employee ownership dummy * % of institutional ownership		-0.0097			0.0183			0.0393	
		(0.0081)			(0.0435)			(0.0265)	
Employee ownership dummy * Herfindahl-index			0.7394			8.2859*			2.4798
			(0.7966)			(4.3164)			(2.5281)
E-index	0.0872***	0.0875***	0.0870***	0.3386***	0.3372***	0.3394***	0.0658*	0.0668*	0.0640*
	(0.0170)	(0.0171)	(0.0170)	(0.0673)	(0.0670)	(0.0666)	(0.0390)	(0.0383)	(0.0389)
% of institutional ownership	-0.3307***	-0.3396***	-0.3390***	-1.7831***	-1.5742***	-1.5733***	-0.2429	-0.2326	-0.2474
	(0.0668)	(0.0571)	(0.0569)	(0.4312)	(0.3775)	(0.3736)	(0.2266)	(0.1834)	(0.1837)
Herfindahl-index	-0.0150***	-0.0098	-0.0150***	-0.1731***	-0.1840***	-0.1763***	-0.0737***	-0.0934***	-0.0745***
	(0.0047)	(0.0067)	(0.0047)	(0.0266)	(0.0380)	(0.0261)	(0.0144)	(0.0203)	(0.0143)
% of managerial ownership	-0.4156	-0.4071	-0.8659	-0.2005	-0.2689	-4.8552	1.1189	0.8627	-0.3750
	(0.4666)	(0.4675)	(0.7228)	(2.8742)	(2.8813)	(4.0136)	(1.5839)	(1.5652)	(2.4506)
ISS against dummy	-25.0095***	-25.0067***	-25.0098***				-6.5208***	-6.5111***	-6.5097***
	(0.5600)	(0.5598)	(0.5592)				(0.4749)	(0.4751)	(0.4748)
Confidential voting dummy	-0.4045**	-0.4074**	-0.4101**	-0.6753	-0.6359	-0.6032	0.0718	0.0681	0.0657
	(0.1748)	(0.1746)	(0.1749)	(1.1070)	(1.1141)	(1.1228)	(0.5445)	(0.5445)	(0.5454)
Majority voting dummy	0.1647	0.1733	0.1660	-0.3762	-0.4328	-0.4159	0.3224	0.2818	0.3325
	(0.1366)	(0.1369)	(0.1365)	(1.1040)	(1.1061)	(1.0964)	(0.5421)	(0.5388)	(0.5449)
Market capitalization	0.1484**	0.1498**	0.1499**	0.7773**	0.7674**	0.8235**	0.6731***	0.6685***	0.6822***
	(0.0623)	(0.0620)	(0.0623)	(0.3324)	(0.3325)	(0.3287)	(0.1501)	(0.1506)	(0.1512)

Table 11. (continued).

	% of voting support (1)	% of voting support (2)	% of voting support (3)	% of voting support (4)	% of voting support (5)	% of voting support (6)	% of voting support (7)	% of voting support (8)	% of voting support (9)
Market to book	0.3088***	0.3044***	0.3032***	-0.0789	-0.0710	-0.1796	0.1011	0.1240	0.0724
	(0.0759)	(0.0760)	(0.0766)	(0.4891)	(0.4913)	(0.4805)	(0.2258)	(0.2257)	(0.2287)
Past performance	0.2673**	0.2681**	0.2663**	-0.7677	-0.7724	-0.8508	0.3767	0.3750	0.3652
	(0.1283)	(0.1282)	(0.1281)	(0.7226)	(0.7225)	(0.7247)	(0.4977)	(0.5016)	(0.4970)
Director elections(M)	10.8390***	10.8287***	10.8308***	15.6264***	15.5416***	15.5227***	9.7238***	9.7515***	9.7172***
	(1.7926)	(1.8009)	(1.7961)	(4.1716)	(4.1732)	(4.1765)	(2.3401)	(2.3449)	(2.3422)
Director related(M)	1.4485	1.4364	1.4410	-0.9328	-0.9773	-1.0775	2.2629	2.3397	2.3403
	(1.8736)	(1.8816)	(1.8768)	(8.3867)	(8.4633)	(8.3405)	(2.7535)	(2.7522)	(2.7488)
Compensation related(M)	3.8754**	3.8637**	3.8659**	8.4077**	8.3380**	8.3034**	7.7469***	7.8023***	7.7425***
	(1.7897)	(1.7980)	(1.7931)	(4.1704)	(4.1722)	(4.1756)	(2.3564)	(2.3612)	(2.3580)
Say on pay frequency(M)	-5.3662***	-5.3785***	-5.3743***	-14.4303***	-14.5131***	-14.5297***	-6.7221***	-6.6304***	-6.7365***
	(1.8375)	(1.8454)	(1.8407)	(4.2682)	(4.2655)	(4.2720)	(2.4208)	(2.4271)	(2.4209)
Antitakeover related(M)	-2.5858	-2.6035	-2.5971	1.8938	2.0303	1.9567	3.6947	3.7083	3.6812
	(1.9471)	(1.9545)	(1.9504)	(5.0123)	(5.0049)	(5.0002)	(2.7577)	(2.7831)	(2.7564)
Routine/Business related(M)	12.5349***	12.5230***	12.5256***	8.2654*	8.3364*	8.3714*	4.5722*	4.7437*	4.5762*
	(1.7832)	(1.7915)	(1.7866)	(4.6405)	(4.6390)	(4.6460)	(2.5908)	(2.5980)	(2.5920)
Capitalization related(M)	-3.7456*	-3.7539*	-3.7559*	3.3160	3.2346	3.2459	5.4516**	5.5443**	5.4449**
	(1.9655)	(1.9734)	(1.9686)	(4.6305)	(4.6269)	(4.6233)	(2.4559)	(2.4654)	(2.4546)
Reorganization and Mergers related(M)	-1.2891	-1.2979	-1.2974	-3.3422	-3.4741	-3.9610	6.0779**	6.1852**	6.0634**
	(2.0291)	(2.0351)	(2.0318)	(8.5587)	(8.6043)	(8.6824)	(2.7481)	(2.7429)	(2.7487)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	72560	72560	72560	5219	5219	5219	3062	3062	3062
R-squared	0.5850	0.5851	0.5850	0.4072	0.4069	0.4089	0.3010	0.3020	0.3015

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Results of voting support and employee ownership in DC plans. Results are as follows: first panel-all management proposals; middle panel-subsample where ISS opposed management proposals; last panel-subsample with close votes (30% to 60% voting support). I estimate ordinary least squares (OLS) regressions from equation (1). The dependent variable is the percentage of "For" votes on proposals. I include interaction terms between *employee ownership dummy* and governance variables (*E-index, % of institutional ownership,* and *Herfindahl-index*). All other variables are defined in Table A2 in the Appendix. All specifications are estimated with year dummies and Fama-French 12 industry dummies (not reported). Standard errors reported in parentheses are clustered at firm level. All continuous variables are winsorized at the 1st and 99th percentiles except the E-index. ***, **, * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 12
Employee Ownership in DC Plans, Voting Support, and Managerial Ownership

	Management proposals			Shareholder proposals		
	% of voting support (1)	% of voting support (2)	% of voting support (3)	% of voting support (4)	% of voting support (5)	% of voting support (6)
% of employee ownership in equity market value	0.0401*			-0.3164		
	(0.0241)			(0.2009)		
% managerial ownership	0.0872***			-0.5335***		
	(0.0169)			(0.1646)		
% of employee & managerial ownership		0.0813***			-0.4776***	
		(0.0150)			(0.1407)	
% of employee ownership equity market value			-0.0237			1.5245
* Indicator of low managerial ownership			(0.1403)			(1.6936)
% of employee ownership equity market value			0.2075			-6.6304***
* Indicator of medium managerial ownership			(0.1745)			(2.1113)
% of employee ownership equity market value			-0.0030			-0.2920
* Indicator of high managerial ownership			(0.0331)			(0.2085)
Indicator of medium managerial ownership			0.0320			-0.6452*
			(0.0332)			(0.3459)
Indicator of high managerial ownership			0.0711*			0.5671
			(0.0479)			(0.9296)
E-index	-0.3223***	-0.3348***	-0.3652***	1.2107**	1.2606**	1.2787**
	(0.0572)	(0.0568)	(0.0591)	(0.5260)	(0.5196)	(0.5181)
% of institutional ownership	-0.0151***	-0.0149***	-0.0213***	0.1366**	0.1368**	0.1366***
	(0.0048)	(0.0048)	(0.0051)	(0.0539)	(0.0537)	(0.0513)
Herfindahl-index	-0.3754	-0.3838	-0.3297	-0.2579	-0.2993	-0.3067
	(0.4707)	(0.4709)	(0.4777)	(3.4455)	(3.4112)	(3.4374)
ISS against	-25.0016***	-24.9970***	-24.9345***	-27.4305***	-27.4585***	-27.4360***
	(0.5593)	(0.5603)	(0.5664)	(0.8658)	(0.8590)	(0.8668)
Confidential voting	-0.4072**	-0.4170**	-0.4044**	-0.3547	-0.3623	-0.4474
	(0.1766)	(0.1767)	(0.1811)	(1.2756)	(1.2758)	(1.2570)

Table 12. (continued).

	Management proposals			Shareholder proposals		
	% of voting support (1)	% of voting support (2)	% of voting support (3)	% of voting support (4)	% of voting support (5)	% of voting support (6)
Majority voting dummy	0.1723	0.1613	0.1385	-3.7007***	-3.6698***	-3.8489***
	(0.1370)	(0.1378)	(0.1368)	(1.4166)	(1.4172)	(1.4056)
Market capitalization	0.1566**	0.1530**	0.1229*	-2.2750***	-2.2402***	-2.3546***
	(0.0621)	(0.0618)	(0.0683)	(0.5055)	(0.5001)	(0.5266)
Market to book	0.3005***	0.3091***	0.3241***	0.4587	0.4065	0.5192
	(0.0760)	(0.0756)	(0.0774)	(0.6594)	(0.6543)	(0.6579)
Past performance	0.2563**	0.2590**	0.2738**	1.6195	1.6354	1.8419
	(0.1288)	(0.1287)	(0.1298)	(1.5631)	(1.5620)	(1.5295)
Director elections(M)	10.8148***	10.8257***	10.8101***			
	(1.8260)	(1.8287)	(1.8113)			
Director related(M)	1.4180	1.4188	1.4475			
	(1.9054)	(1.9078)	(1.8906)			
Compensation related(M)	3.8456**	3.8591**	3.8487**			
	(1.8231)	(1.8258)	(1.8084)			
Say on pay frequency(M)	-5.3959***	-5.3836***	-5.3982***			
	(1.8694)	(1.8720)	(1.8555)			
Antitakeover related(M)	-2.6301	-2.6162	-2.6220			
	(1.9785)	(1.9808)	(1.9654)			
Routine/Business related(M)	12.5010***	12.5119***	12.5056***			
	(1.8169)	(1.8195)	(1.8020)			
Capitalization related(M)	-3.7774*	-3.7688*	-3.7991*			
	(1.9968)	(1.9994)	(1.9847)			
Reorganization and Mergers related(M)	-1.3110	-1.2809	-1.3158			
	(2.0562)	(2.0581)	(2.0450)			

Table 12. (continued).

	Management proposals			Shareholder proposals		
	% of voting support (1)	% of voting support (2)	% of voting support (3)	% of voting support (4)	% of voting support (5)	% of voting support (6)
Director related(S)				9.1980***	9.1862***	9.0691***
				(2.1277)	(2.1327)	(2.0999)
Compensation related(S)				-4.2020**	-4.1931**	-4.3033**
				(1.8487)	(1.8537)	(1.8248)
Corporate governance related(S)				12.0679***	12.0137***	11.7433***
				(2.0243)	(2.0315)	(2.0027)
Routine/Business related(S)				-4.3106**	-4.2970**	-4.1883**
				(1.9251)	(1.9270)	(1.8878)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	72560	72560	72560	2883	2883	2883
R-squared	0.5846	0.5845	0.5829	0.5582	0.5578	0.5583

Results relating voting support and employee ownership in DC plans. The left panel includes the results from all management proposals and the right panel includes the results from all shareholder proposals. I estimate ordinary least squares (OLS) regressions from the equation (1). The dependent variable is the percentage of "For" votes on proposals. *Indicator of medium employee & managerial ownership* is equal to 1 if % of employee and managerial ownership falls within the medium tertile, and 0 otherwise. *Indicator of high employee & managerial ownership* is equal to 1 if % of employee and managerial ownership falls within the highest tertile, and 0 otherwise. I include interactions of *% of employee ownership in firms' equity market value* with *Indicator of low/medium/high employee & managerial ownership*. All other variables are defined in Table A2 in the Appendix. All specifications are estimated with year dummies and Fama-French 12 industry dummies but not reported. Standard errors reported in parentheses are clustered at firm level. All continuous variables are winsorized at the 1st and 99th percentiles except the E-index. ***, **, * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 13
Employee ownership in DC plans and voting support estimated with 2SLS (all management)

	1st stage Employee ownership dummy	2nd stage % of voting support	1st stage % of employee ownership in DC plans	2nd stage % of voting support	1st stage % of employee ownership in market cap.	2nd stage % of voting support
	(1)	(2)	(3)	(4)	(5)	(6)
Employee ownership dummy		1.3138***				
		(0.4527)				
% of employee ownership in DC plans				0.0103		
				(0.0142)		
% of employee ownership in equity market value						0.4115***
						(0.0997)
Interest burden	-0.1223		-9.6232***		-0.5140*	
	(0.0867)		(2.4470)		(0.2636)	
DB plan without company stock	0.2323***		5.3775***		0.6809***	
	(0.0471)		(1.9135)		(0.2180)	
DB plan with company stock	0.0613*		1.3807		0.5496***	
	(0.0316)		(1.0020)		(0.1199)	
% of managerial ownership	-0.0000	0.0879***	-0.0135	0.0870***	-0.0087	0.0924***
	(0.0020)	(0.0057)	(0.0642)	(0.0057)	(0.0077)	(0.0059)
E-index	0.0473***	-0.3814***	1.5671***	-0.3315***	0.1733***	-0.3971***
	(0.0097)	(0.0329)	(0.3364)	(0.0331)	(0.0392)	(0.0311)
% of institutional ownership	-0.0014*	-0.0136***	-0.1792***	-0.0139***	-0.0177***	-0.0080***
	(0.0008)	(0.0020)	(0.0258)	(0.0033)	(0.0029)	(0.0027)
Herfindahl-index	0.1103	-0.5013***	0.8214	-0.3664**	0.2691	-0.4816***
	(0.0864)	(0.1666)	(2.8235)	(0.1611)	(0.3799)	(0.1634)
ISS Against dummy	0.0245	-25.0280***	0.7319	-25.0062***	0.0746	-25.0221***
	(0.0177)	(0.2034)	(0.5659)	(0.2038)	(0.0721)	(0.2041)
Confidential voting dummy	0.0149	-0.4138***	-0.6046	-0.3903***	0.1822	-0.4812***
	(0.0376)	(0.0658)	(1.3679)	(0.0668)	(0.1780)	(0.0689)
Majority voting dummy	0.0223	0.1434**	-0.8537	0.1867***	0.1011	0.1216*
	(0.0256)	(0.0662)	(0.8293)	(0.0673)	(0.1053)	(0.0667)

Table 13. (continued).

	1st stage Employee ownership dummy	2nd stage % of voting support	1st stage % of employee ownership in DC plans	2nd stage % of voting support	1st stage % of employee ownership in market cap.	2nd stage % of voting support
	(1)	(2)	(3)	(4)	(5)	(6)
Market capitalization	0.0051	0.1387***	1.2919***	0.1397***	-0.0990**	0.1754***
	(0.0095)	(0.0214)	(0.3552)	(0.0297)	(0.0406)	(0.0211)
Market to book	-0.0257*	0.3307***	0.5654	0.2868***	-0.1090***	0.3492***
	(0.0136)	(0.0327)	(0.5069)	(0.0316)	(0.0372)	(0.0330)
Past performance	-0.0147	0.2831***	0.5797	0.2528***	0.0260	0.2565***
	(0.0132)	(0.0755)	(0.4179)	(0.0748)	(0.0437)	(0.0750)
Director elections(M)	-0.0560	10.8839***	1.4007	10.7927***	-0.1701	10.8940***
	(0.0761)	(1.1262)	(1.3228)	(1.1305)	(0.3339)	(1.1369)
Director related(M)	-0.0442	1.4824	4.1176**	1.3793	0.1339	1.3870
	(0.0778)	(1.2216)	(1.8925)	(1.2260)	(0.3650)	(1.2310)
Compensation related(M)	-0.0696	3.9319***	1.0364	3.8254***	-0.2029	3.9408***
	(0.0757)	(1.1317)	(1.3082)	(1.1358)	(0.3329)	(1.1422)
Say on pay frequency(M)	-0.0703	-5.3102***	1.1913	-5.4173***	-0.1954	-5.3075***
	(0.0761)	(1.2228)	(1.3327)	(1.2269)	(0.3330)	(1.2327)
Antitakeover related(M)	-0.0967	-2.5097**	0.6082	-2.6451**	-0.2188	-2.5344**
	(0.0793)	(1.2801)	(1.5349)	(1.2836)	(0.3600)	(1.2891)
Routine/Business related(M)	-0.0734	12.5939***	1.1653	12.4821***	-0.1418	12.5711***
	(0.0760)	(1.1275)	(1.3271)	(1.1313)	(0.3332)	(1.1378)
Capitalization related(M)	-0.0599	-3.6943***	2.0416	-3.8019***	-0.0925	-3.7148***
	(0.0760)	(1.2517)	(1.5137)	(1.2557)	(0.3383)	(1.2611)
Reorganization and Mergers related(M)	-0.0910	-1.2148	-0.9741	-1.3272	-0.6315*	-1.0611
	(0.0796)	(1.5081)	(1.6563)	(1.5111)	(0.3554)	(1.5189)

Table 13. (continued).

	1st stage Employee ownership dummy	2nd stage % of voting support	1st stage % of employee ownership in DC plans	2nd stage % of voting support	1st stage % of employee ownership in market cap.	2nd stage % of voting support
	(1)	(2)	(3)	(4)	(5)	(6)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes
F-statistics for endogeneity	3.3		0.1		14.2	
Observations	72560	72560	72560	72560	72560	72560
R-squared	0.1174	0.5836	0.2115	0.5846	0.1691	0.5790

2SLS regression results relating voting support and employee ownership in DC plans. The results from the first stage are reported in columns (1), (3), and (5), where the dependent variables are *employee ownership*, *% of employee ownership in DC plans*, and *% of employee ownership in firms' equity market value*, respectively. The results from the second stage are reported in columns (2), (4), and (6), where the dependent variable is the percentage of "For" votes on proposals. *Interest burden* is defined as the interest expense scaled by operating income before depreciation; *cash flow shortfall* is defined as cash flow used for investment plus dividends less cash flow from operations, scaled by total assets; dividend yield is dividend scaled by the fiscal year closing stock price; a company is categorized as having a *DB plan without company stock* if all DB plans do not include company stock; a company is categorized as having a *DB plan with company stock* if at least one DB plan includes company stock. I average *Interest burden, cash flow shortfall*, and *dividend yield* over three years. All other variables are defined in Table A2 in the Appendix. All specifications are estimated with year dummies and Fama-French 12 industry dummies but not reported. Standard errors reported in parentheses are clustered at firm level. All continuous variables are winsorized at the 1st and 99th percentiles except the E-index. ***, **, * indicate significance at the 0.01, 0.05, and 0.10 levels, respectively.
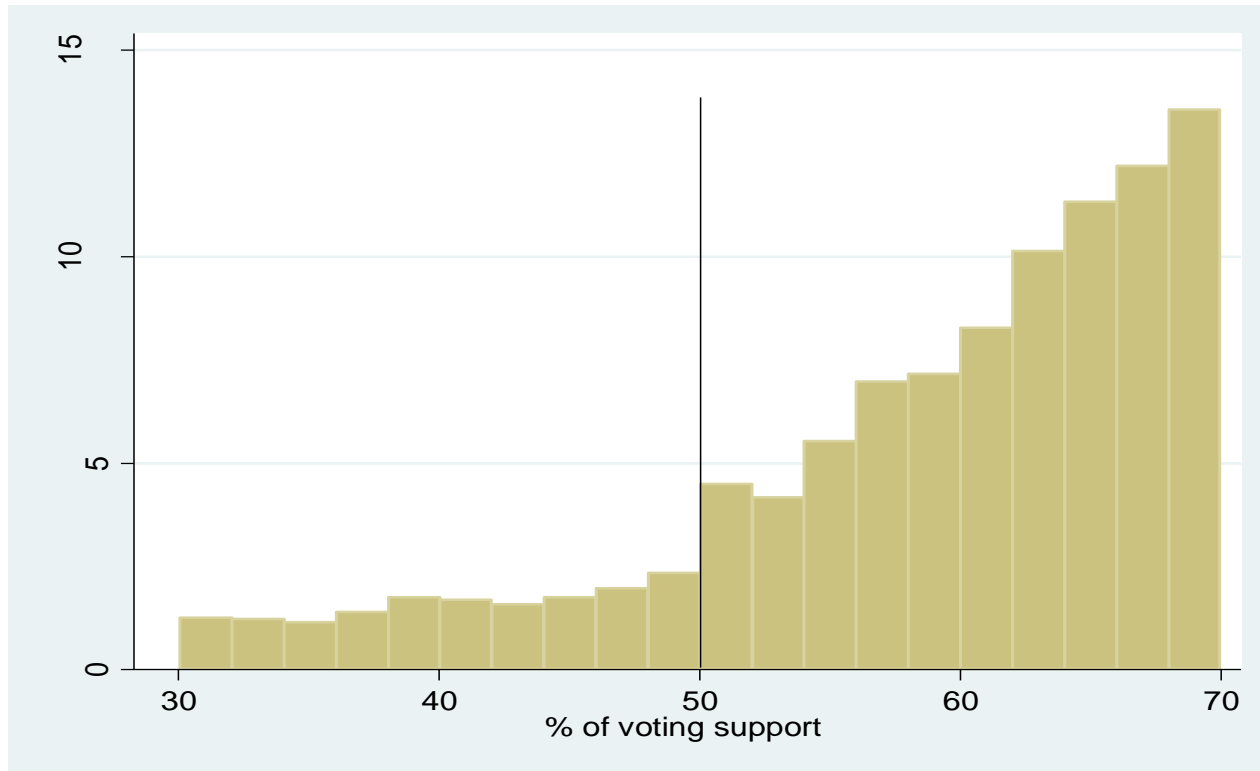
SUPPLEMENTAL FIGURE AND TABLES

Figure A. The distribution of the percentage voting support for close votes. The distribution of percentage of voting support for management sponsored proposals of close votes. The Y-axis indicates the frequency of the proposals, and X axis indicates the percentage of voting support.

Table A1

Sample Construction

	Number of plan-years	Number of firm-years	Number of firms
[Form 5500 in defined contribution (DC) plans on 2002-2011]			
after mapping with CUSIP identifier and financial data *(Full Form 5500 sample)*	28,834	22,540	3,265
after matching with data on institutional ownership	28,000	21,766	3,150
after matching with data on managerial ownership	18,365	13,332	1,857
after matching with data on governance	15,597	11,100	1,695
[ISS Voting Analytics database on 2003-2012]			
after matching with voting *data (Final sample)*		10,093	1,695

Construction of the sample data. The initial data begins with firms listed on Voting Analytics during the period from 2003 to 2012. Using the IRS Employer Identification Number (EIN) and company names, I merge the initial sample firms with firms listed in Form 5500 that have at least one DC plan over the period from 2002 to 2011. The full Form 5500 sample is matched with CRSP, Compustat RiskMetrics (governance), Thomson Financial's CDA/Spectrum (institutional ownership), and Standard & Poor's ExecuComp (managerial ownership). For the final sample, the matched sample is merged with voting outcomes.

Table A2
Variable Definitions

Variable	Definition
Employee ownership dummy	One if a firm provide company stock in DC plans, and zero otherwise.
% of employee ownership in DC plans	The percentage of employee holdings invested in DC plans.
% of employee ownership in a firm's market value	The percentage of a firm's equity market value of employee holdings invested in DC plans.
% of employee and managerial ownership	The percentage of a firm's equity market value of employee holdings invested in DC plans plus the percentage of equity market value managerial holdings owned by top five executives.
E-index	The sum of six antitakeover defense provisions, following Bebchuk et al. (2005).
% of institutional ownership	The aggregate equity holdings owned by institutional investors divided by the market value of the firm.
Herfindahl index	The sum of squared sales of firms in 3-digit SIC industry, following Giroud and Mueller (2010).
% of managerial ownership	The aggregate equity holdings owned by top five executives divided by the market value of the firm.
Market capitalization	The natural log of total number of shares outstanding times the closing price at the end of the year of the proposal.
Market to book	The sum of market capitalization of equity and the book value of debt divided by the book value of total assets.
Past performance	The previous year's buy-and-hold market adjusted returns.
ISS against dummy	One when proposals are opposed by ISS, and zero otherwise.
Confidential voting dummy	One if how shareholders vote their proxy card is kept confidential.
Majority voting dummy	One if a firm's directors are elected when they receive more than 50% of voting support.

The data were obtained from Form 5500 (employee ownership in DC plans), Compustat RiskMetrics (governance), Thomson Financial's CDA/Spectrum (institutional ownership), and Standard & Poor's ExecuComp (managerial ownership).

Table A3
Frequency and Percentage Support for Proposals by Categories

Category	All firms			Firms without employee ownership		Firms with employee ownership	
	Freq.(%)	Obs	Mean (%)	Obs	Mean (%)	Obs	Mean (%)
Panel A. *Management proposals opposed by ISS*							
Director elections	72.1	3,764	72.8	1,682	71.9	2,082	73.5
with Majority voting rules	7.5	391	74.7	131	73.4	260	75.4
with Plurality voting rules	64.6	3,373	72.6	1,551	71.8	1,822	73.2
Director related	0.3	17	56.2	6	57.2	11	55.7
Compensation related	16.6	868	64.8	424	64.3	444	65.3
Say on pay frequency	6.9	362	41.0	181	40.2	181	41.8
Antitakeover related	0.9	45	57.0	20	56.0	25	57.8
Routine/Business related	1.6	81	66.8	29	70.0	52	65.1
Capitalization related	1.2	61	63.1	22	66.6	39	61.1
Reorganization and Mergers related	0.1	7	54.8	3	64.9	4	46.6
Others	0.3	14	55.3	9	61.9	5	43.5
Total	100.0	5,219	68.8	2,376	67.9	2,843	69.6

Table A3. (continued).

Category	All firms			Firms without employee ownership		Firms with employee ownership	
	Freq.(%)	Obs	Mean (%)	Obs	Mean (%)	Obs	Mean (%)
Panel B. M*anagement proposals close votes*							
Director elections	52.7	1,615	60.1	788	59.0	827	61.1
with Majority voting rules	4.5	138	63.9	54	64.8	84	63.3
with Plurality voting rules	48.2	1,477	59.7	734	58.6	743	60.8
Director related	1.1	35	58.5	14	56.5	21	59.9
Compensation related	29.6	907	60.3	482	60.1	425	60.5
Say on pay frequency	7.0	215	44.3	105	43.3	110	45.3
Antitakeover related	2.1	64	57.0	33	57.7	31	56.2
Routine/Business related	2.0	60	57.3	18	54.8	42	58.4
Capitalization related	3.7	112	60.6	57	62.9	55	58.2
Reorganization and Mergers related	1.0	32	63.2	17	65.4	15	60.6
Others	0.7	22	52.4	11	56.2	11	48.5
Total	100.0	3,062	58.9	1,525	58.3	1,537	59.4

Frequency and percentage of voting support for proposals by categories of all sample firms, firms without employee ownership in DC plans, and firms with employee ownership in DC plans. The sample consists of management proposals opposed by the ISS in Panel A and management proposals with voting support between 30% and 70% in Panel B. I obtain the data on aggregate voting outcomes of the period 2003-2012 from ISS Voting Analytics. For each proposal type, the number of and the average level of voting support are reported. I compute the level of voting support by dividing the total number of shares voted for by their base which serves as the dominator of the calculation of voting support rate. The three types of bases are total number of *"For"* and *"Against"* votes, total number of *"For"*, *"Against",* and *"Abstain"* votes, and total number of outstanding shares eligible for a vote.

Table A4

Proposal Description

Category	Proposal Description	Number of proposal	% of Proposal	% of Voting Support
Panel A. *Management Proposals*				
Director election	Elect Directors	54,141	99.5	94.6
	Elect Directors (Opposition Slate) (INACTIVE)	199	0.4	93.2
	Elect Directors (Management Slate)	50	0.1	83.3
Director related	Declassify the Board of Directors	284	49.0	84.7
	Company Specific--Board-Related	75	11.4	87.2
	Require Majority Vote for the Election	63	11.0	89.3
	Fix Number of Directors	46	8.3	95.2
	Approve Increase in Size of Board	23	3.9	86.6
	Eliminate Cumulative Voting	20	2.9	74.3
	Establish Range For Board Size	15	2.9	89.0
	Approve Decrease in Size of Board	15	2.7	85.0
Compensation related	Approve Remuneration Report	2265	28.3	89.1
	Amend Omnibus Stock Plan	1792	22.4	81.1
	Approve Omnibus Stock Plan	1167	14.6	81.0
	Approve/Amend Executive Incentive Bonus Plan	1048	13.1	94.0
	Amend Qualified Employee Stock Purchase Plan	516	6.4	93.8
	Approve Qualified Employee Stock Purchase Plan	203	2.5	94.1
	Amend Stock Option Plan	190	2.4	78.9
	Amend Non-Employee Director Stock Option Plan	121	1.5	80.0
	Approve Non-Employee Director Omnibus Stock Plan	96	1.2	81.7
	Amend Non-Employee Director Omnibus Stock Plan	91	1.1	80.9
	Approve Stock Option Plan	77	1.0	80.0
	Approve Repricing of Options	65	0.8	71.4
	Approve Non-Employee Director Stock Option Plan	64	0.8	81.6
	Amend Restricted Stock Plan	50	0.6	90.1
	Approve/Amend Deferred Compensation Plan	44	0.5	90.2
	Approve Restricted Stock Plan	32	0.4	80.6

Table A4. (continued).

Category	Proposal Description	Number of proposal	% of Proposal	% of Voting Support
Compensation related	Approve Outside Director Stock Awards/Options in Lieu of Cash	30	0.4	93.4
	Approve Nonqualified Employee Stock Purchase Plan	29	0.4	93.7
	Amend Non-Employee Director Restricted Stock Plan	29	0.4	88.0
	Amend Nonqualified Employee Stock Purchase Plan	26	0.3	96.4
	Company-Specific-Compensation-Related	25	0.3	86.4
	Approve Non-Employee Director Restricted Stock Plan	23	0.3	85.8
Say on pay frequency	Say on pay frequency	1,073	100.0	71.9
Antitakeover related	Reduce Supermajority Vote Requirement	209	51.5	82.9
	Adjourn Meeting	75	18.5	83.3
	Adopt or Amend Shareholder Rights Plan(Poison Pill)	27	6.7	61.0
	Company-Specific--Organization-Related	23	5.7	79.7
	Permit Board to Amend Bylaws Without Shareholder Consent	13	3.2	73.7
	Amend Articles/Bylaws/Charter to Remove Antitakeover Provisions	12	3.0	84.3
Routine/Business related	Ratify Auditors	8,877	97.8	97.9
	Amend Articles/Bylaws/Charter-Non-Routine	122	1.3	79.9
	Change Company Name	30	0.3	90.9
	Amend Articles/Bylaws/Charter General Matters	24	0.3	87.4
	Other Business	23	0.3	50.2
Capitalization related	Increase Authorized Common Stock	457	69.9	79.3
	Company Specific-Equity-Related	40	6.1	78.7
	Approve Reverse Stock Split	37	5.7	69.7
	Approve/Amend Conversion of Securities	18	2.8	94.7
	Eliminate Class of Common Stock	11	1.7	85.0
Reorganization and Mergers related	Approve Merger Agreement	128	56.4	79.7
	Issue Shares in Connection with an Acquisition	65	28.6	93.8
Others	Preferred Proposal	34	25.4	92.3

Table A4. (continued).

Category	Proposal Description	Number of proposal	% of Proposal	% of Voting Support
Panel A. *Shareholder Proposals*				
Director related	Declassify the Board of Directors	280	23.5	67.7
	Require a Majority Vote for the Election of Directors	267	22.4	50.6
	Restore or Provide for Cumulative Voting	159	13.3	32.8
	Amend Articles/Bylaws/Charter -- Call Special Meetings	155	13.0	45.1
	Elect Directors (Opposition Slate)	143	12.0	87.4
	Amend Vote Requirements to Amend Articles/Bylaws/Charter	23	1.9	61.4
	Establish Other Board Committee	22	1.8	17.8
	Require Director Nominee Qualifications	22	1.8	15.0
	Add Women and Minorities to the Board	22	1.8	23.2
	Company-Specific Board-Related	18	1.5	28.9
	Establish Term Limits for Directors	16	1.3	7.3
	Remove Existing Directors	15	1.3	43.0
	Require Majority of Independent Directors on Board	14	1.2	30.3
	Require Two Candidates for Each Board Seat	11	0.9	8.8
Compensation related	Advisory Vote to Ratify Named Executive	194	20.7	42.0
	Performance-Based and/or Time-Based Equity Awards	138	14.7	29.1
	Stock Retention/Holding Period	86	9.2	24.9
	Limit/Prohibit Executive Stock-Based Awards	81	8.7	22.1
	Review Executive Compensation (INACTIVE)	75	8.0	16.3
	Report on Pay Disparity	52	5.6	10.3
	Expense Stock Options (INACTIVE)	48	5.1	53.4
	Pay for Superior Performance	46	4.9	28.7
	Compensation- Miscellaneous Company Specific	38	4.1	28.2
	Increase Disclosure of Executive Compensation	25	2.7	16.4
	Claw-back of Payments under Restatement	22	2.4	29.4
	Limit Executive Compensation	20	2.1	8.5
	Submit SERP to Shareholder Vote	20	2.1	35.9
	Death Benefits / Golden Coffins	17	2.0	35.0
	Link Executive Compensation to Social Issues	16	1.8	7.3
	Double Trigger on Equity Plans	16	1.7	37.2

Table A4. (continued).

Category	Proposal Description	Number of proposal	% of Proposal	% of Voting Support
Governance related	Submit Shareholder Rights Plan (Poison Pill) to Shareholder Vote	119	31.6	57.9
	Company Specific-Governance Related	74	19.7	42.8
	Reduce Supermajority Vote Requirement	69	18.4	68.2
	Eliminate or Restrict Severance Agreements (Change-in Control)	50	13.3	53.7
	Reincorporate in Another State	22	5.9	16.9
	Submit Severance Agreement (Change-in-Control) to Shareholder Vote	20	5.3	50.4
	Approve/Amend Terms of Existing Poison Pill	10	2.7	38.1
Business related	Separate Chairman and CEO Positions	273	91.3	30.0
Miscellaneous	Political Contributions/Activities	278	42.4	20.0
	Company-Specific -- Shareholder Miscellaneous	181	27.6	25.9
	Adopt Sexual Orientation Anti-bias Policy	71	10.8	27.7
	Charitable Contributions	28	4.3	8.0
	Report on EEO	23	3.5	16.3
	Animal Welfare	20	3.0	7.3
	Animal Testing	15	2.3	7.3
	Animal Slaughter Methods	24	2.1	7.1
	Disclose Prior Government Service	13	2.0	8.3
	Glass Ceiling	13	2.0	12.2
Social issues	Social Proposal	144	16.1	10.9
	Improve Human Rights Standards or Policies	103	11.5	13.1
	Sustainability Report	66	7.4	21.1
	Climate Change	50	5.6	14.6
	Community -Environment Impact	44	4.9	20.9
	Anti-Social Proposal	42	4.7	7.5
	Genetically Modified Organisms (GMO)	39	4.3	7.6
	GHG Emissions	33	3.7	19.6
	Report on Environmental Policies	31	3.5	13.5

Table A4. (continued).

Category	Proposal Description	Number of proposal	% of Proposal	% of Voting Support
	MacBride Principles	29	3.2	10.1
	Weapons - Related	26	2.9	7.4
	Health Care - Related	26	2.9	7.4
	Workplace Code of Conduct (INACTIVE)	21	2.3	13.6
	Report on Foreign Military Sales/Defense Business	20	2.2	7.3
	Environmental - Related Miscellaneous	20	2.2	9.5
	Nuclear Power - Related	19	2.1	8.7
	China Principles	15	1.7	8.1
	Tobacco - Related - Miscellaneous	15	1.7	8.2
	Drug Pricing	14	1.6	9.0
	Renewable Energy	14	1.6	12.5
	Internet Censorship	13	1.4	19.4
	Vendor Standards (INACTIVE)	12	1.3	12.7
	Product Safety	11	1.2	17.4
	Recycling	10	1.1	14.2
Other	Provide Right to Act by Written Consent	60	75.9	47.3

Agenda items by each category of proposals when the number of proposals of an item is submitted more than 10 times over the sample period. The data is from the ISS Voting Analytics database during the period of 2003-2012. For each item, the number of items, the ratio of items, and the average level of voting support are reported. The sample consists of all management-sponsored proposals in Panel A and all shareholder sponsored proposals in Panel B.

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