New Wave of Shareholder Activism Aims to Make Corporations Behave Better--Whether They Like it Or Not

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At Citigroup, shareholders had their say on CEO pay — and they yelled, "No damn way!"

Concerted action by shareholders, workers and public interest groups compelled corporate change in several other cases this spring as well.

At least three CEOs resigned. Executives truncated one shareholder meeting to 12 minutes. And across America and Europe, CEOs lamented the end of automatic approval for excessive executive compensation.

A wave of corporate change is rising because the rabble and the stockholders share an interest: decent corporate governance. To shareholders, decent means more long-term corporate vision providing reasonable returns and fewer risky, quick-profit schemes benefiting only executives. To workers, the unemployed, community and environmental groups, decent means operating corporations in the best interest of the nation, including treating workers with dignity and refraining from polluting. Together, the rabble and the shareholders wield power.

They'll be exercising it inside and outside the ExxonMobil shareholder meeting next week. Some activist stockholders will seek approval of resolutions calling for the corporation to form a task force on climate change and to reduce greenhouse emissions.

Other activist shareholders, including my union, the United Steelworkers, will seek approval of a resolution calling for Rex Tillerson to give up either his CEO title or his chairmanship of the board of directors. Because corporate boards oversee executives, many experts believe holding both positions is a conflict of interest. The board, for example, determines executive pay. The ExxonMobil board gave its chairman, who also happens to the CEO, a big fat pay increase last year — a jump from $29 million to $34.9 million.

Corporate governance and pay and the environment are important issues as well to those who will be demonstrating outside the shareholder meeting May 30 in Dallas. They are from the 99% Power coalition that includes workers, retirees, job seekers, families fighting foreclosure, students burdened by debt, immigrants and environmentalists. The coalition's goal is to demonstrate at more shareholder meetings than ever in American history to make corporations more accountable to their communities, workers and shareholders.

Steelworkers and Occupy Dallas activists worked with the 99% Power coalition to organize the protest outside the ExxonMobil meeting. USW-represented refinery and clerical workers will protest ExxonMobil's greedy and dangerous corporate behavior. This corporation, which last year gave its CEO a 20 percent pay increase, has refused for two years to approve much smaller raises for its all-female clerical staff at Baytown.

In addition, ExxonMobil, among the most profitable corporations in the world, is denying safety measures to workers the Baton Rouge refinery — measures that it has agreed to implement at four other facilities. This refusal comes just two years after an explosion at a Tesoro refinery killed seven workers and seven years after a massive blast at BP's Texas City refinery killed 15 and injured 170.

Steelworkers have joined the 99% Power coalition in demonstrating at the Wells Fargo, Tesoro and Compass Minerals shareholder meetings and will be at Chevron next week too.

The protesters don't always get what they want. But they've succeeded in rattling some CEOs. At Tesoro, when executives realized workers who are also shareholders were in the audience, they broke tradition and refused to take questions. Then they ended the meeting in record time, just 12 minutes.

In Britain this spring, shareholder revolts against outrageous executive pay prompted theresignations of the CEOs at insurer Aviva, pharmaceutical maker AstraZeneca and publisher Trinity Mirror. At Aviva, a proposed pay raise for the CEO angered shareholders of the poorly performing company.

That's what happened at Citigroup, too. Shareholders balked when the board of directors recommended a pay increase for the CEO despite Citi racking up the worst stock price performance among large banks over a decade.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, passed two years ago, provided shareholders and the 99% Power coalition with new tools. One is say-on-pay, which gives shareholders the right to vote on executive compensation packages every three years. The other is the pay gap ratio requirement, which the Securities and Exchange Commission (SEC) has failed to enforce. When the SEC does, corporations will have to determine the pay gap between an average worker and the CEO.

Neither of these protections is binding. The Citi board of directors can disregard the shareholder vote against the CEO pay package. But it probably won't because that would be ignoring the sentiments of the majority of the company's owners.

Last year, the first year for the say-on-pay votes under the new law, shareholders at three dozen companies opposed executive pay packages. That's about 2 percent of the 2,300 votes taken, but it was higher than in other countries and higher than expected. This year, with shareholders and community activists organized, more "no" votes are expected.

The pay ratio will give shareholders and workers important information. Overall, in 1980, CEO compensation averaged 42 times typical worker pay. Workers at that time received a larger share of the benefits from the companies that their labor helped to succeed. Now, CEOs make 325 times what workers do, meaning the amount workers share in success is much smaller.

Apparently, that's the kind of information CEOs don't want workers and shareholders to have since they've lobbied furiously — and successfully — to prevent individual corporations from having to report their pay ratios.

In the wake of Wall Street recklessness that caused economic collapse in 2008, Congress gave shareholders and citizens Dodd-Frank to help them constrain self-dealing corporate executives. The 99% Coalition and shareholders are working with those tools even as Republicans vow to take them away by repealing Dodd-Frank.