

Employee Share Ownership and the Efficiency of Capital Markets

Norbert Kuhn
IAFP Round Table
29 November 2023

Why do we need strong capital markets?

Challenges ahead: Energy transition and digitalisation

“A Capital Markets Union will help Europe deliver its new green deal and digital agenda”

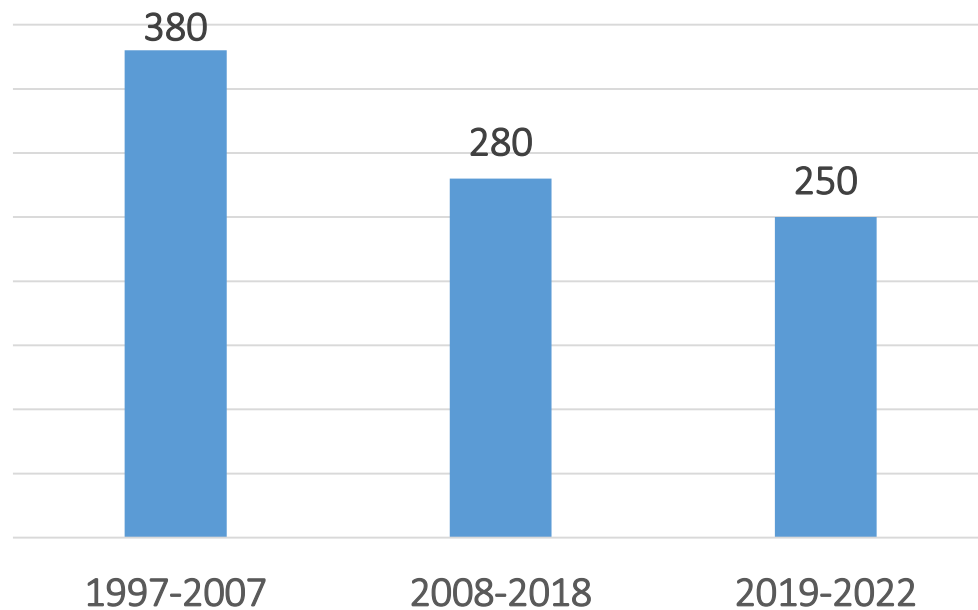
(Homepage European Commission)

„Our country needs investment on an almost unprecedented scale in order to rapidly prepare society and the economy for digitalization and climate protection. We have therefore decided to strengthen the effectiveness of the German capital market”

(BMF/BMJ: Eckpunkte des Zukunftsfinanzierungsgesetzes)

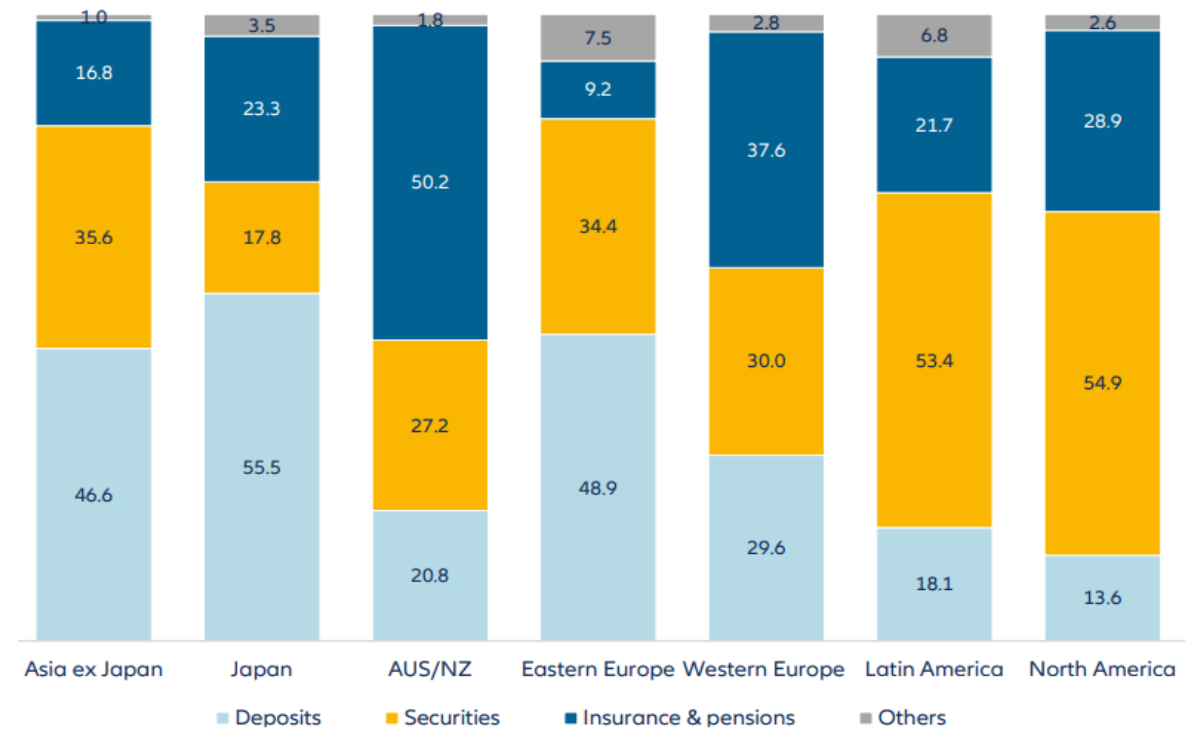
Potential of European capital markets is not yet exploited

Number of European IPOs p.a. decreases



Source: European IPO Report 2020, FESE

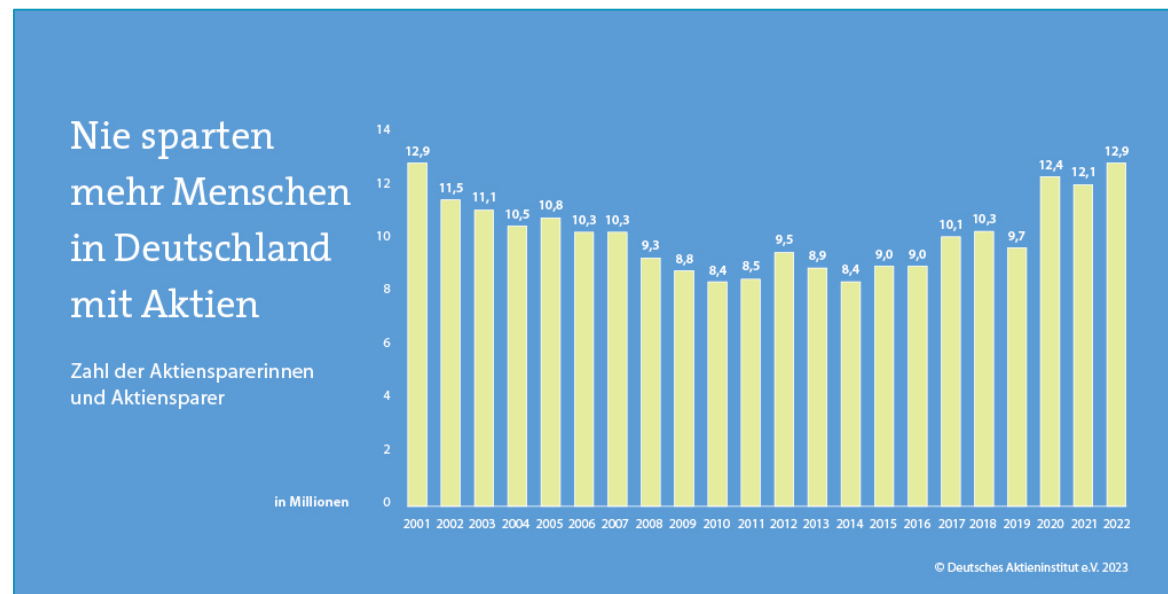
Retail investor participation: Equity – or not?



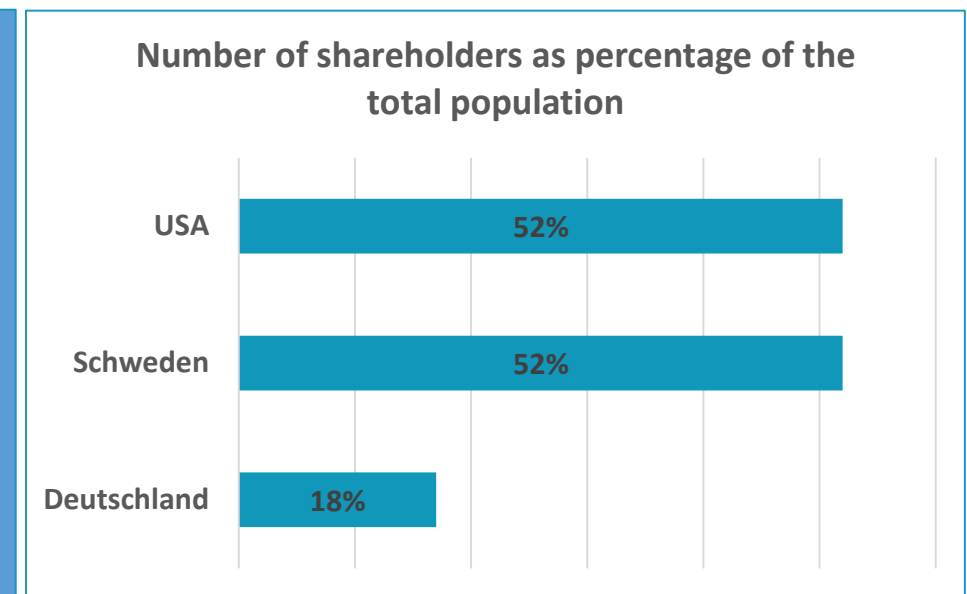
Source: Allianz Research (2022), asset classes in % of total gross financial assets

Number of shareholders in Germany increase, but still remain on a comparable low level

In 2022, almost one in five people are invested in the stock market (18.3% of the population aged 14 and over). This is more than ever before in absolute terms, but still too few by international standards

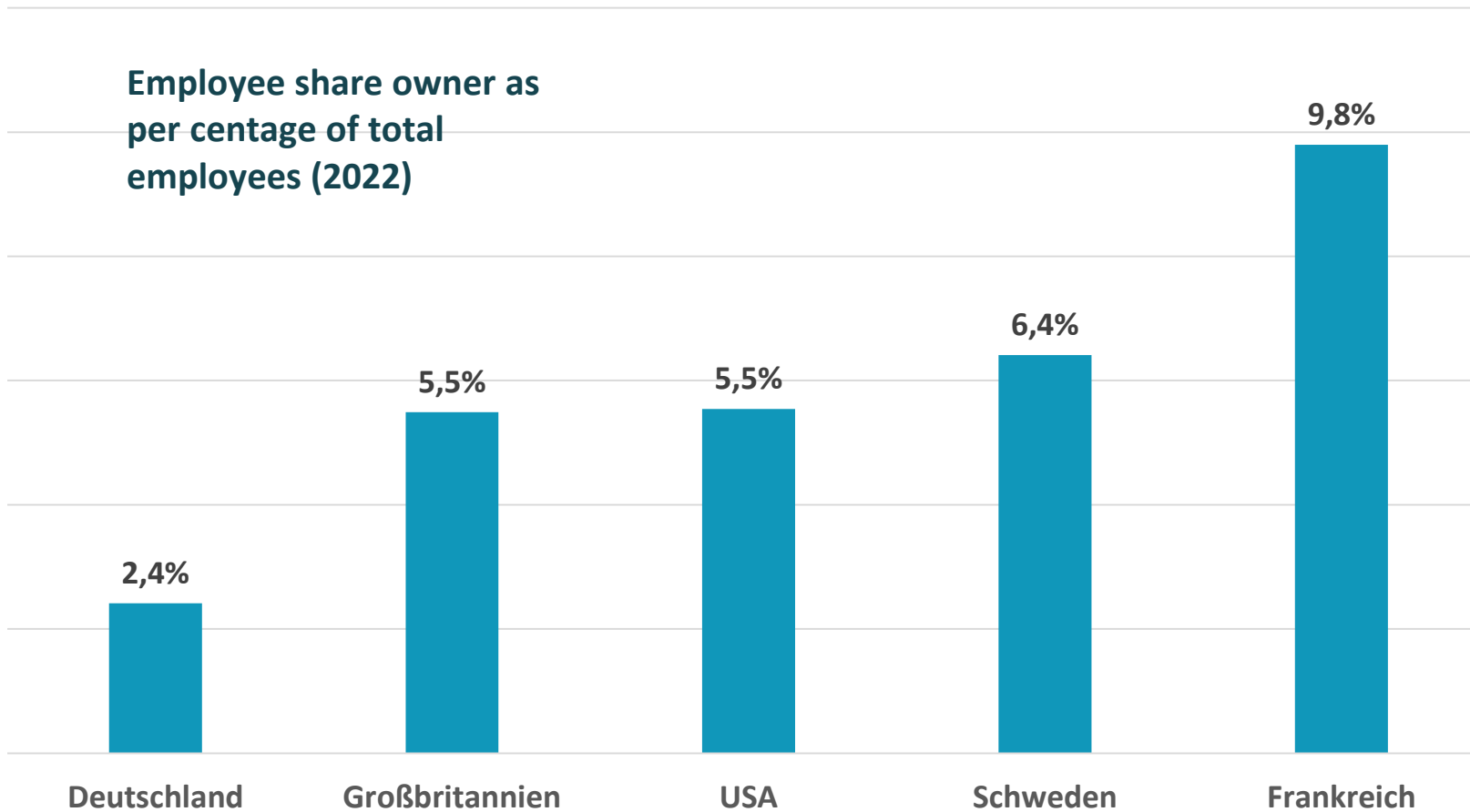


Source: Deutsches Aktieninstitut, Deutschland kann Aktie! Trotz Rekordniveau muss die Politik jetzt liefern, January 2023



Source: Own research

How common are employee shares in Germany?

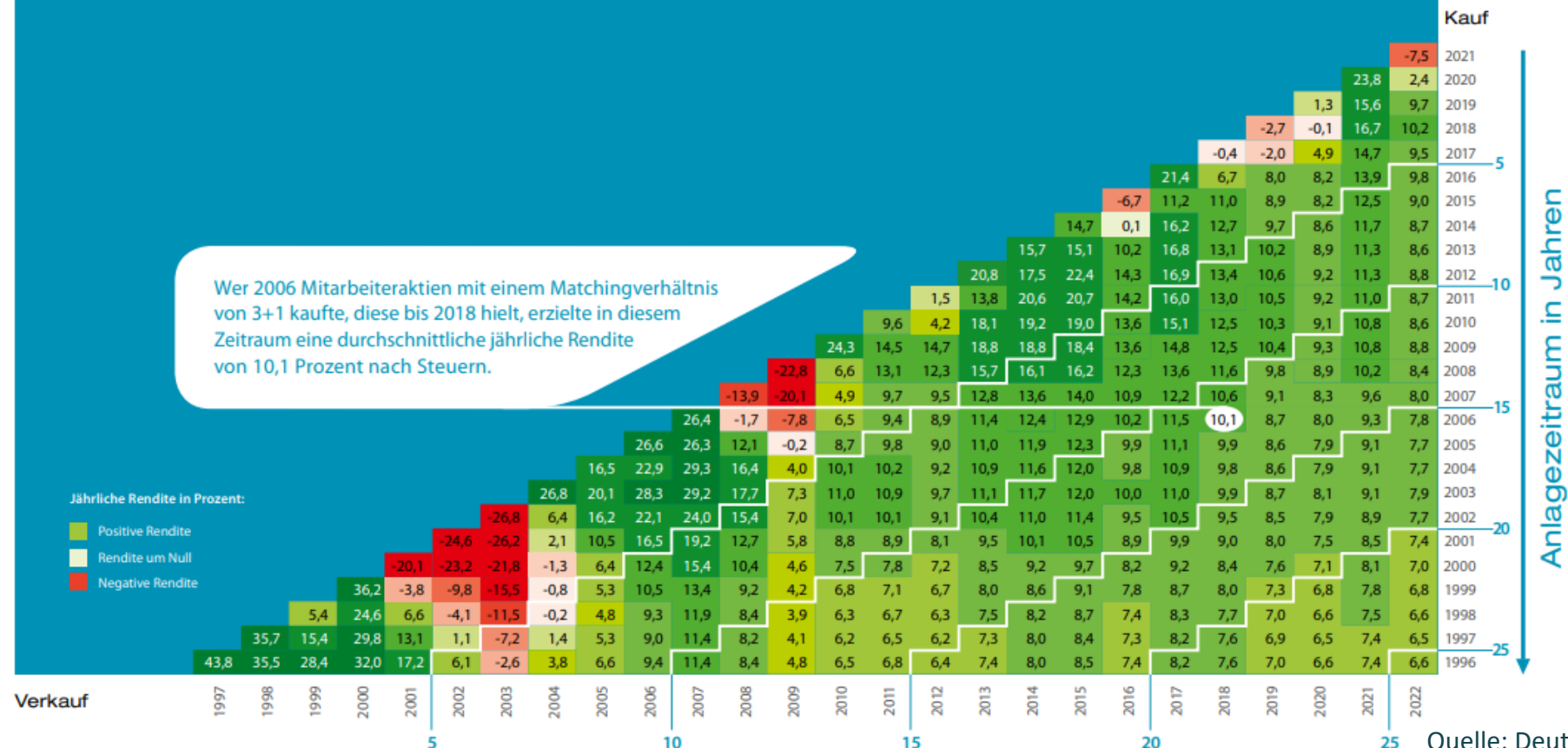


Source: Deutsches Aktieninstitut, EFES, NCEO, Statista

Why Employee Share Ownership? (<http://www.mab-renditedreieck.de>)

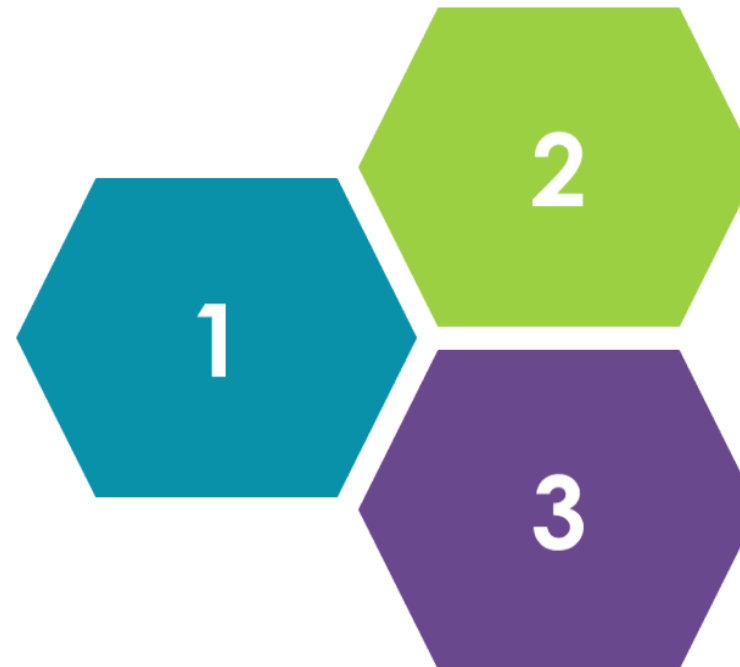
Mitarbeiteraktien-Renditen

Jährliche Rendite nach Steuern: DAX Index



Make capital markets more efficient: What has to be done?

Market regulation that protects investors without overburdening companies (Listing Act: Research, Market Abuse, Prospectus)



Corporate law, that meets the needs of growth companies (e.g. Multiple-Vote Share Structures)

Equity/investment culture among (retail) investors: Employee Share ownership, shares in the pension system, tax incentives, financial literacy

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