US: bonuses for CEOs soared in 2004

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CEO bonuses in the US rose a whopping 46.4 percent in 2004, according to a survey of 100 major corporations performed by Mercer Human Resource Consulting. The median CEO bonus stood at $1.14 million, the highest level in at least five years in both absolute terms and percentage gain.

The Mercer survey has been commissioned by the *Wall Street Journal* going back to 1999. It excludes CEOs from Wall Street brokers and investment houses, whose bonuses are even higher. Bonuses in the companies surveyed in 2004 reached a record 141 percent of annual salary.

In companies that granted across-the-board employee bonuses, clerical and technical support workers typically received a bonus of 5 percent of salary last year, according to independent surveys.

The direct compensation (including salary, bonus, restricted stock grants and the exercise of stock options) of the median corporate boss totaled $4,419,300—about 160 times the earnings of the average US production worker last year. Direct compensation doesn't count pension plans, severance packages and numerous other perks that are lavished on CEOs.

Stock options are only counted as direct compensation when executives cash them in. Option grants potentially worth millions in the future are not included in the number.

One of the biggest winners on the bonus gravy train was Michael Eisner, chairman of Walt Disney Company. He was awarded a $7.25 million bonus last year, in spite of a move to oust him supported by 45 percent of the shareholders.

John Tyson, head of the nation's largest meatpacker, pocketed a $5.4 million bonus, in spite of an SEC investigation into his role in failing to accurately disclose about $1.7 million in benefits paid to his father, Don Tyson, when he was chairman. Tyson Foods and Don Tyson have offered to pay a substantial fine to settle the SEC probe without admitting any wrongdoing.

The younger Tyson's employment contract guarantees him a $1 million annual salary, "performance" shares worth $2.47 million a year, and an annual grant of 500,000 stock options. He also gets personal use of the corporate jet. Another perk last year was a $2,000 department store gift for the holidays.

The *Wall Street Journal* quoted a Tyson spokesperson as describing the company's compensation package as "consistent with other programs at similarly sized companies."

Another leader of industry, Carly Fiorina, the recently fired CEO of computer giant Hewlett-Packard, did not fail to collect her 2004 bonus. The board of directors even awarded her a "discretionary" bonus in mid-December, just before relieving her of her post this February.

For all the talk of "reform" in the world of mega-corporations, nothing has fundamentally changed.

The bonuses that the heads of US corporations are pocketing serve as just one measure of the obscene level of wealth being concentrated among the financial elite. It may usually be carried out legally, with the approval of their cronies who populate the boards of directors, but the effect is the same as that produced by the outright criminality of such figures as Kenneth Lay of Enron and Bernard Ebbers of WorldCom.

Lay sold hundreds of millions of dollars of Enron stock as he was touting the stock to employees, then he froze their 401k accounts when the stock started to crash. Ebbers is currently on trial for cooking WorldCom's books to mislead millions of small investors and employees, many of whom lost everything when the company filed for bankruptcy.

While top executives are raking it in, wages for workers are diminishing. A report issued last month by the Economic Policy Institute (EPI) shows the first

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decline since 1993 in inflation-adjusted (real) wages for production and non-supervisory workers, who constitute 80 percent of the workforce.

In contrast to CEOs, workers' wages rose an average of only 2.1 percent last year, well under the inflation rate of 2.7 percent, which jumped in 2004 due in particular to an increase in the cost of gasoline and other energy. The nominal wage increase was lower than in any year since EPI started tracking the statistic in 1964.

The drop in real wages was sharpest among lower-paid and less-skilled workers. Hourly wages fell for the bottom 80 percent of men and the bottom 70 percent of women when categorized by income. When categorized by level of education, only workers with advanced degrees saw even a small increase in real wages.

As wages have been declining, the Bush administration proclaims last year's 12 consecutive months of job growth accompanied by a small drop in the unemployment rate as a sign that the economy has finally turned the corner, and that things are improving for workers. Administration officials credit the Bush tax cuts for the wealthy—passed with key Democratic support—for stimulating the economy.

However, analysis of the economy shows the worst job performance since the Great Depression. Since the recession officially started in March 2001, private sector jobs—those supposedly being stimulated by the tax cuts—have declined by over 700,000. By post-World War II historical standards, by this point in the "recovery" the economy should have created an additional 7,502,000 jobs compared to the negligible 62,000 net gain to date.

The decline in the rate of unemployment from 6.0 percent to 5.5 percent in 2004 was not a sign of jobs becoming more readily available. It reflects instead the slowest growth in the labor force since 1991, as more and more workers become too discouraged even to look for work.

Last year's decline in the size of the labor force continues a five-year trend. The size of the population in the labor force has fallen each year since 2000, from 67.1 percent to 66 percent in 2004, the lowest level since 1988.

Another measure of the abysmal job market highlighted in the EPI report is the number of long-term unemployed. >From October 2002 to December 2004, more than a fifth of those unemployed have been out of work for 27 months in a row, a rate unprecedented in recent decades.

Over 3.5 million workers exhausted their unemployment benefits last year, a record since the government began keeping track in 1973. On average, workers were out of work for 39 weeks, or three quarters of a year, before they ran out of benefits.

In December 2003, Congress cut off the Temporary Extended Unemployment Compensation (TEUC) program, which provided up to13 weeks of additional unemployment benefits for those still unable to find work after the standard 26-week period. The reason given for the failure to renew the program was that the recession had been declared officially over.

Compounding the difficulty of finding jobs has been the strong increase in worker productivity. The rate of productivity jumped 4.0 percent last year, on top of a 3.8 percent increase in each of the prior four years.

Standard economic analysis assumes that workers' wages and living standards increase with productivity gains; but mergers and corporate downsizing of recent years—which increase productivity—have taken their toll on the workforce. How hard it is to find a job has now translated into a decline in real wages as well.

While corporate chieftains and their entourage are reaping sky-high bonuses, the lives of workers remain mired in poverty, distress and economic uncertainty.

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