US CEOs who laid off the most workers got the most pay

Naomi Spencer
3 September 2010

Chief executive officers responsible for the 50 biggest mass layoffs of 2009 pulled in $12 million for the year on average, 42 percent higher than other CEOs at major companies, and hundreds of times more than the average US worker.

The 50 CEOs, who took home a combined $598 million, cut the jobs of 531,363 workers in 2009, according to a new report by the Institute for Policy Studies. The 50 mass layoffs accounted for three quarters of cuts at the 500 biggest US companies.

The report, "Executive Excess 2010: CEO Pay and the Great Recession," released September 1, found that of the 50 firms, 36 of them (72 percent) announced layoffs even as earnings were up. In fact, the top 50 "layoff leaders" averaged a profit increase of 44 percent in 2009. The data reflects the continual drive of the corporate elite to squeeze higher profits out of a smaller, lower-paid, more burdened workforce.

Inequality has soared over the course of the last 30 years, with the average compensation of corporate managers leaping from an already high ratio of some 30 to 1 compared to the average compensation of American workers, to upwards of 260 to 1. The report notes that even in the midst of the worst economic crisis since the Great Depression, CEO salaries for 2009 were double the 1990s average, four times that of the 1980s, and eight times that of the CEO average pay for all the decades of the mid-20th Century. Over the same period, real wages for workers have fallen sharply.

Using the economic recession as a pretext, corporate owners have kicked this process into overdrive, firing thousands at a time, slashing wages in half, ripping up contracts, and cutting retirement and health benefits for millions of workers. Official unemployment is 9.5 percent, youth unemployment now stands at over 19 percent, and the ranks of the long-term unemployed continue to swell.

Nationally, average unemployment benefits in 2009 stood at just over $300 a week, or $15,800 per year. The nearly $600 million in compensation for the 50 CEOs responsible for the bulk of last year's layoffs would cover the cost of unemployment benefits for more than 37,700 workers for an entire year.

The report profiled the highest earning CEOs who oversaw layoffs. Topping the list is former Schering-Plough head Fred Hassan, who received a "golden parachute" of $33 million—on top of nearly $17 million in salary—after his company merged with pharmaceutical giant Merck. The March 2009 merger resulted in 16,000 layoffs, and a 33 percent increase in profits for Merck over 2008, to $12.9 billion.

As the *World Socialist Web Site* reported at the time, the orgy of corporate mergers in the pharmaceutical and other industries was made possible by the infusion of billions of dollars in public funds by the Treasury Department under the Troubled Asset Relief Program (TARP). (See "US companies slash thousands more jobs in early March")

Hassan's payout came in the midst of a class action lawsuit over the withholding of trial results on the efficacy of Schering-Plough's cholesterol drug Vytorin. He is currently the head of Bausch & Lomb, a privately held company that is not required to publish compensation information.

The second highest paid "layoff leader" was William Weldon, CEO of Johnson & Johnson, another pharmaceutical giant. Weldon took in $25.6 million in 2009, up from $23 million in 2008. Under Weldon's management, at least 9,000 workers were axed. In the past year, numerous Johnson & Johnson products, including children's medicine, have been the subject of mass recalls after they were found to be seriously defective, a fact the company actively sought to hide from the public. (See "Johnson & Johnson recalls more over-the-counter medicines")

Such criminality is the norm among this social layer. Hewlett-Packard CEO Mark Hurd, third on the list of top earning job cutters, resigned August 6 after he was found to have falsified financial reports to conceal a personal relationship with a contractor. As part of a plan to eliminate 48,000 jobs, Hurd oversaw 6,400 layoffs, on top of 24,600 layoffs in September 2008. (See "Hewlett-Packard slashes 9,000 jobs") He walked away with $24.2 million in 2009.

The company was also found to have grossly underpaid federal corporate income taxes; according to the Institute for Policy Studies, Hewlett-Packard paid taxes at only a 2 percent rate, rather than the legally required 35 percent. Significantly, the report notes that tax evasion is ubiquitous among major corporations—of the 50 firms selected for review, only two of them appeared to pay the full tax rate.

Among other CEOs listed in the report are Robert Iger of Walt Disney, who took in $21.6 million as he cut 3,400 jobs; IBM's Samuel Palmisano, taking $21.2 million while laying off 7,800; Randall Stephenson of AT&T, with $20.2 million, cut 12,300 jobs; Michael Duke of Wal-Mart raked in $19.2 million and laid off 13,350; Ford's Alan Mulally took home $17.9 million and cut 4,700 jobs; Louis Chenevert of United Technologies, with $17.9 million, laid off 13,290; and Verizon's Ivan Seidenberg received $17.5 million as he laid off 21,308.

Five of the top 50 CEOs in the layoffs list headed financial firms that received federal TARP funds. American Express CEO Kenneth Chenault received $16.8 million, a sum that included a cash bonus of over $5 million. The company cut 4,000 jobs after receiving $3.4 billion in TARP funds. Similarly, after being given $7.6 billion in bailout funds, PNC Financial CEO James Rohr pocketed $14.8 million, cutting 5,800 jobs at the same time.

CEOs at Citigroup, Bank of America, and JPMorgan Chase, the report commented, "couldn't afford the public relations disaster they would have no doubt encountered if they treated their 2009 CEO pay as straight business as usual." These firms "chose instead to shovel massive sums to lower-ranking high-level execs." Citigroup CEO Vikram Pandit, who hauled off $38.2 million in 2008, announced he would accept a single dollar in a 2009 public relations stunt.

Meanwhile, many other executives siphoned multi-million dollar compensation packages off the $50 billion in bailout money. During this time, Citigroup announced more than 52,000 layoffs. Bank of America, which received $45 billion in TARP funds, cut 35,000 jobs. At JPMorgan, which was given $25 billion, 14,000 workers lost their jobs.