US CEO pay reaches new heights

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And they continue to rake it in!

America's corporate executives, already richer than Croesus, are not satisfied with having looted the economy of trillions of dollars in recent decades. Three and a half years after maneuvering the country to the verge of bankruptcy, the financial elite continues to enrich itself, legally and illegally, at the expense of the population and the general social interest.

The argument that CEOs deserve fabulous salaries because they "grow" the economy was always specious, but now, in the face of the financial meltdown and mass unemployment, such a claim simply generates popular outrage.

Despite nervousness in the media and the political establishment about the vast social inequality, nothing short of social upheaval will stop America's executives from gorging themselves.

USA Today reported January 23, for example, that 2011 "is shaping up as the year of the $50 million-plus CEO." The newspaper cited Walt Disney's Robert Iger as "the latest" member of that exclusive club. Iger received $31.4 million in pay and perks and took in $21.4 million more from exercising previously awarded stock options and shares.

The article noted complaints by "corporate governance experts" that "executive pay is a sore point among rank-and-file workers, politicians and movements such as Occupy Wall Street." Needless to say, these concerns leave the corporations involved utterly undeterred.

Other members of the $50-million club in 2011 included Apple's Tim Cook, who received $378 million, including $376 million in restricted stock; Qualcomm's Paul Jacobs, who took home $50.6 million; Tyco International's Ed Breen, who made $68.9 million in total compensation; and J.C. Penney's Ron Johnson, whose pay was worth $51.5 million, including $50 million in restricted shares after being hired in November!

In an update of the article posted Thursday, *USA Today* added Howard Schultz of Starbucks to the group. Schultz received compensation valued at $16 million, plus a special "retention award" worth $12 million; he also exercised stock options for another $40.8 million. Between February 2008 and January 2009, Starbucks eliminated an estimated 18,400 jobs in the US and started closing nearly 1,000 stores worldwide.

Retirement packages, notes *USA Today*, "are even more lucrative." And who would question the right of corporate thieves to live in the comfort they so richly deserve? The newspaper notes that Nabors Industries "will pay Chairman Gene Isenberg $126 million when he steps down, while Motorola Mobility CEO Sanjay Jha and Temple-Inland CEO Doyle Simons are due more than $60 million once merger deals are finalized."

A report this month from GovernanceMetrics International (GMI) on the largest "golden parachutes" in corporate America points out that 21 CEOs "received walk-away packages in excess of $100 million since 2000." The 21 individuals "walked away with a total of almost $4 billion in compensation."

More: "Four-fifths of the group's total compensation was comprised of equity, pensions and other deferred pay." "Tenure for the CEOs ranged from nine months for Viacom's Thomas Freston to 29 years for North Fork Bank's John Kanas." "Three CEOs received payouts without ever leaving."

The GMI ratings study comments mildly, "Too many golden parachutes and too many retirement packages are of a size that clearly seems only in the interest of the departing executive. In the case of some of the packages in this report, they have been paid to an executive who has not even departed."

The report observes, "While some of these CEOs moved on to less high profile positions, many found gainful employment shortly after receiving these exit packages. For instance, Fred Hassan became a partner at Warburg Pincus about a year after receiving almost $190 million from Merck & Co. Similarly, Thomas Freston became a principal with Firefly3, a consulting and investment firm, immediately after receiving his severance at Viacom." In other words, these are not retirement packages in any meaningful sense, they are simply vast cash handouts.

The *Wall Street Journal* reports January 27 that companies are "side-stepping" 2005 federal legislation aimed at limiting compensation for executives at companies that harm investors and cut jobs before and during the bankruptcy process. The measure was part of bankruptcy legislation and "severely restricted 'retention' bonuses that reward executives for sticking with distressed companies. It was fueled by popular outrage over money paid to executives of Enron Corp. and other companies that imploded."

Companies are simply bypassing the law by claiming that vast payments to executives are "incentive" plans, payable if executives hit certain performance targets, including successfully navigating bankruptcy proceedings. The incentives are set at an easily reachable level and the individual walks away with tens of millions of dollars, often sanctioned by the courts.

The *Journal* highlights the case of Lear Corp., the auto parts supplier, which closed 28 factories and cut more than 20,000 jobs on the way to bankruptcy court. "Lear sought $20.6 million in bonuses for key executives and other employees, including an eventual payout of more than $5.4 million for then-Chief Executive Robert Rossiter." Despite objections from the US Justice Department, a judge approved the payouts, "accepting the company's arguments that the executives would deserve them if they met earnings milestones and steered Lear through a quick exit from bankruptcy."

The newspaper determined the pay of executives at 21 of the 100 largest companies that have recently gone through bankruptcy, destroying thousands of jobs and slashing wages in many cases: "Together, the chief executives of those firms earned more than $350 million in salary, bonuses, stock grants and severance for the periods their companies were under Chapter 11 bankruptcy protection or just afterward.… Some of the 21 CEOs, including Lear's, received bigger bonuses during bankruptcy protection than in previous years."