US CEO pay continues to climb

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Two recent studies on executive compensation show a marked increase in the pay of America's top business figures.

A report by the Hay Group, a consulting firm, picked up by the *Wall Street Journal*, showed that CEO compensation in the US increased 2.8 percent last year to a median of $10.3 million. Total compensation for the 301 CEOs examined amounted to $3.9 billion and ranged from "only" $842,400 for Walter Robb of Whole Foods to $376.2 million for Tim Cook of Apple.

The other study, by the Associated Press (AP), came up with the smaller median of $9.6 million by excluding CEOs who had been employed for less than two years, most notably Cook, hired in the wake of Steve Jobs' death.

In addition to vast quantities of stock and cash, many top executives are receiving perks worth millions. Louis D'Ambrosio, the CEO of Sears Holdings Corp., for example, received a jet allowance of $793,224 last year, so he could make the commute from his home in Philadelphia to Sears headquarters near Chicago. Les Moonves, CEO of CBS, received $69 million in compensation, including $500,000 to build a room for screening television shows and movies at his home, dubbed a "dedicated work area."

The unbridgeable gulf between CEOs and working class Americans is readily apparent when the executives' pay and perks are compared to the national median income of $39,312, or the minimum wage income of $15,080.

The highest paid executive in the AP survey is David Simon, who make $137 million in 2011, equivalent to 9,084 years for a minimum-wage worker and 3,484 years for someone earning the median income. The AP report's median CEO income for one year amounts to 636 years working at the minimum wage and 244 years, or about five lifetimes of labor, for the average worker.

Both the AP and *Journal* attempt to sidestep the implications of this vast inequality and present the trends in CEO pay in a positive light. Unlike 2010, in 2011 there was actually more of a correlation between CEO pay and company stock performance, and both reports credit the Dodd-Frank bill with restoring executive accountability. But what does this "accountability" consist of?

One of the "constraints" that the Dodd-Frank Bill puts on publicly traded companies is that they must allow their shareholders an advisory vote on CEO pay. The vote is non-binding, but, according to the AP, "shame has proved to be a powerful motivator."

How little shame there is within the boards of directors can readily be seen by the shining example of corporate conscience represented by Hewlett-Packard. In 2010 shareholders voted against the compensation package for former CEO Mark Hurd, who resigned amid allegations of sexual harassment. Now, the current CEO, and former California gubernatorial candidate, Meg Whitman, is being paid only $1 a year in salary, but she receives given stock options potentially worth $16 million if HP's stock price goes up.

This may have made Whitman more accountable to the shareholders, but it clearly has not made her accountable to her employees or society at large. Earlier this month Hewlett-Packard announced that it would eliminate 27,000 jobs, its largest round of layoffs ever, in order to "increase efficiency." HP made over $7 billion in profits last year.

In general, more and more CEOs are being compensated with stock instead of cash. Average CEO stock awards were up 11 percent in 2011 to $3.6 million, while cash bonuses dropped 7 percent to $2 million. This increases the CEOs direct incentive to maximize profits through

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cutting wages and benefits while intensifying workloads. At the same time, it means that CEOs stand to gain even more from fraudulent bookkeeping and rampant speculation.

The vast disparity between the highest- and lowest-paid in America is a trend that has been simmering over the past several decades. According to an Economic Policy Institute report, the biggest share of the increasing income inequality in the US is due to the enormous growth in executive and financial sector compensation.

Between 1979 and 2007 the average annual earnings of the top 0.1 percent of wage earners grew 362 percent, while those of the bottom 90 percent only increased 17 percent. In that same timeframe, the share of the national income going to the top 1 percent more than doubled.

In comparison to CEOs, whose pay has risen at a steady clip, workers and youth are in a worsening situation. Bureau of Labor Statistics data reveal a 1.4 percent increase in wages for production and non-supervisory workers in 2011, significantly below the 3 percent rate of inflation. Wages for recent college graduates have not simply failed to keep pace with inflation, they actually declined by 5.4 percent between 2000 and 2011.

This growing disparity puts the lie to Barack Obama's rhetoric of "shared sacrifice." There is no possible equivalence between the sacrifice of a worker who has been kicked off unemployment or a student buried under debt, and a corporate executive who now accepts more of his income as stock instead of cash.

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