Canada's top CEOs paid 171 times more than the average worker

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9 January 2014

By the early afternoon of the first working day in the New Year, Canada's top one hundred executives had already pocketed more compensation than most workers will earn in the entire year. So demonstrates a just-released study by Hugh Mackenzie of the Canadian Centre for Policy Alternatives that uses corporate reports from 2013 to document the money paid Canada's top executives in 2012 and reveal thereby the continuing growth of social inequality.

Mackenzie's study shows that by adding up total compensation of the top 100 CEOs in the country–base salary, cash bonuses, grants of company shares, stock options, perquisites and pension allotments–one arrives at an average of $7.96 million per annum. Mackenzie admits to slightly under-estimating the average. Many of the top companies listed on the Toronto Stock Exchange take advantage of a reporting codicil exempting them from revealing a portion of the perks offered to their executive teams.

By contrast, the average annual earnings of a full-time worker in Canada amount to a meager $46,634. For the almost 900,000 full-time workers in Canada making only the minimum wage ($20,989) the gap is even starker. The top 100 executives will surpass those annual earnings before their morning cup of latte.

Despite a certain amount of cynical hand-wringing—at least in its early stages—by mainstream politicians and the media establishment in the wake of the 2011 Occupy Movement, the income gap between the rich and poor has continued to grow unabated. In 2012, CEOs made 171 times more than the average Canadian worker. The available information for 2013 indicates last year will have seen the gap grow still larger.

In 1998, that is just 16 years ago, Canada's top CEOs made "only" 105 times more than the average worker. While the incomes of the average worker have risen 6 percent since 1998, those of the top 100 CEOs have increased by a whopping 73 percent.

The top earner for 2012 was Canadian Pacific Railway (CP) chief E. Hunter Harrison who received total compensation of $49.5 million. Harrison spearheaded an all-out assault on the contracts of CP train operators in the spring of 2012 and was rewarded accordingly. At that time, CP railway workers had rejected company contract concessions that sought to drastically reduce pensions and further enshrine speed-up work rules that they insisted would further compromise safety.

But shortly after the strike began, Lisa Raitt, Transport Minister in the Conservative government of Prime Minister Stephen Harper, tabled back-to-work legislation that the leadership of the Teamsters union immediately bowed before. With the strike defeated, CP proceeded to lay off 3,000 of its 19,500 personnel. CEO Harrison recently stated that the layoffs might ultimately rise to 6,000, or 30 percent of the workforce. CP workers now have longer hours at more irregular times, and their pensions have been cut. Harrison has combined trains to save on crews, closed down railroad yards, and avoided significant investment towards upgrading CP's tracks. It was this same dangerous concoction implemented by another railway company, Montreal Maine and Atlantic that resulted in the horrific rail disaster at Lac Megantic, Quebec this past summer that incinerated 47 people.

Second on the income list is Thomson Reuters chief James C. Smith who pulled in almost $19 million. The company is owned by David Thomson, the 3rd Baron of Fleet Street, and assorted family members who have perennially found themselves at the top of Canada's "rich list"—which measures total wealth and not simply annual income. Thomson's net worth grew by 30 percent over the past year to $26 billion making him not only the richest person in Canada but the 24th richest person in the world. The jump in net worth was partly due to increases in stock prices following Thomson and Smiths' initiative to lay off 3,000 employees.

Not surprisingly, the CEOs of all of Canada's major banks make the list for top incomes. The profit levels and share prices in the banking sector have sky-rocketed since the banks received $114 billion in liquidity support from the government of Conservative Prime Minister Stephen Harper and the United States Federal Reserve between 2008 and 2010 in the wake of the global financial meltdown. The bailout was the equivalent of seven per cent of the Canadian economy in 2009 and, at that time, was worth $3,400 for every man, woman and child in the country.

Over the past year, the Big Five Canadian banks recorded $29.4 billion in profits and boasted an average 20 percent return on equity despite continued slow growth in the national economy and persistently high unemployment rates.

Executive compensation is not necessarily tied to corporate performance. Thorsten Heins, for instance, the CEO of Blackberry-maker Research in Motion prior to his resignation, received over $10 million in income despite overseeing the continued decline of the company's fortunes and the collapse of his "rescue plan".

Galen Weston Jr. also made Mackenzie's CEO list. Weston, the head of the Loblaw's grocery chain, took home $4.5 million in compensation. The company was rocked last year after it was discovered it had contracted some of its Joe Fresh clothing line to the Rana Square Bangladesh sweatshop that collapsed killing more than 1,100 workers. Although Weston Jr. ranked only 86th on the incomes list, the Weston family, headed by Galen Sr. held down the number two spot in total wealth in Canada adding $2.1 billion over the past 12 months to reach $10.4 billion.

Mackenzie's study examines the growing earnings gap in Canada. The chasm between the rich and the working class is still larger if the millions of Canadians who are surviving on unemployment benefits and social assistance are brought into the equation.

With the connivance of all the mainstream political parties—the Conservatives, Liberals, Parti Quebecois, and New Democrats—federal and provincial governments have drastically curtailed the state's role in redistributing income through income support programs and progressive taxation. Income support programs that primarily benefit the less well-off have been slashed, while governments have massively cut personal-income, capital-gains, and corporate taxes and reduced the differential between the rates at which low and high incomes are taxed. At the same time, the high rate of unemployment and threat of corporate relocation to low-wage jurisdictions is used to extort wage and benefit concessions and otherwise drive down the social position of those still holding down a job.

The appalling income inequality documented in Mackenzie's study is further reflected in *Canadian Business* magazine's analysis of total net wealth in Canada in 2013 in their 100 annual "Wealthiest People" list.

The magazine breathlessly announces that, "collectively, the individuals on [Canada's] Rich List 100 are worth $230 billion, more than the total gross domestic product of many countries in the world, including New Zealand, Ireland and Portugal. And this year has been their best year ever. Their combined net worth surged by more than 15 percent, the biggest increase since 2000". Fully 78 of the top 100 are already billionaires. It is estimated that soon $1 billion will be the qualifying cut-off for all members of the Top 100 "club".

Social inequality today has, in global terms, reached levels unprecedented in human history.

The world's 100 richest people added $524 billion to their combined wealth of $3.7 trillion in 2013, according to the Bloomberg Billionaires Index. Bill Gates regained the top position from Mexican business magnate Carlos Slim, due to a 40 percent increase in the Microsoft stock price, which boosted Gates' net worth from $62 billion to $78.5 billion. If the top 100 billionaires were a separate state, their combined wealth would outstrip the gross domestic product of all but eight countries in the world. They would rank behind Italy, but ahead of India and Russia.

Every year, trillions are squandered on the yachts, mansions and country clubs of the rich and the micro-economy they create around themselves. Vast resources are devoted to financial speculation, funneled into Wall Street, Bay Street and the countless other gambling casinos of the stock trading world. Putting this wealth to rational use would go a considerable way toward eradicating unemployment, poverty and preventable disease.

Ending the anarchy and exploitation at the heart of the capitalist system, which find a particularly noxious expression in the concentration of obscene levels of wealth at the very top, would enable mankind to mobilize and develop the productive forces, including science and technology, to vastly raise the material and cultural level of human society and eliminate inequality.

And yet the universal cry in official politics is that "there is no money" to fund social programs or pay decent wages so that workers, including the poorest and most vulnerable, must "tighten their belts."

Such is the character of all historically bankrupt ruling classes. The issue is not just their personal wealth, but, more fundamentally, their stranglehold over the productive forces of society. The giant corporations and financial institutions must be taken out of private hands and run democratically in order to rebuild the society the super-rich have ravaged.