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Executive Pay Watch

This Briefing Bulletin calls attention to the AFL-CIO's efforts to highlight the growing high level of CEO pay. The AFL-CIO has a part of their website <http://www.aflcio.org/corporatewatch/paywatch/> devoted to the *Executive Pay Watch*. The Bulletin also contains some recent news reports describing pay increases for CEOs at the same time that their companies are losing money; a report on an exorbitant CEO retirement package; and a report on the Delphi Corporation which has a plan for awarding executive bonuses at the same time workers pay would be cut. These stories are all part of the disturbing trend of higher CEO pay as workers compensation falls behind.

Background

The AFL-CIO is concerned that while CEO salaries, pensions, stock options, perks and other benefits continue to grow well beyond the rate of inflation, the compensation, pensions, health plans and other benefits for workers are under attack. This split between the pay and benefits of CEOs versus those of workers is getting wider and of greater concern. The AFL-CIO is calling for all members to e-mail the Securities and Exchange Commission to call for rule changes requiring better disclosure of CEO pay.

CEO compensation takes many forms. Beyond salary there are a number of ways in which CEO's receive financial compensation. This is discussed at the AFL-CIO website, *Executive Pay Watch*:

2005 Trends in CEO Pay

In 2005, the CEO of a Standard and Poor's 500 company received an average \$11.75 million in total compensation according to a preliminary analysis by the Corporate Library. Not only is this compensation high, but there is an increasing gap between the compensation of CEOs and that of the workers. According to a study reported in the New York Times of April 9, 2006 half of Executives in 1990 earned 55 times the average workers pay compared to 104 times the average workers pay in 2004. In 2004 the top 10 percent of Executives earned at least 350 times the pay of the average worker which is up from 122 times in 1990 and 74 times in 1950.

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CEO Retirements

As the AFL-CIO points out, every American deserves a secure retirement. Yet, increasingly companies are terminating their pension plans and transferring the responsibility to their employees. These companies, however, are also taking executive pension plans and making them very lucrative. Simply put, there is one plan for the workers and another for the CEO. One of the most glaring examples of this is the \$400 million dollar retirement package given by Exxon Mobil to its former CEO. As corporations move away from defined benefit plans for their employees, they also are in support of privatizing Social Security. As the AFL-CIO notes in their *Executive Pay Watch*, the Business Roundtable, an exclusive club of top CEOs from America's biggest companies has contributed money to advocate for Social Security privatization.

CEO Pay Increases While Companies Suffer Losses

The Corporate Library released a study on March 31, 2006. The report entitled *Pay for Failure* cited 11 large corporations that increased CEO pay while the companies lost money. Each of the 11 companies paid their CEOs in excess of \$15 million dollars and had a negative return to stockholders over the last five years. The 11 companies are AT&T, BellSouth, Hewlett-Packard, Home Depot, Lucent, Merck, Pfizer, Safeway, Time Warner, Verizon and Wal-Mart.

Delphi

In an article on the CNN website of May 11, bankrupt auto parts maker Delphi is reported to be in court seeking permission to pay about \$60 million in bonuses to its white collar salaried staff. This money would be on top of the \$36 million in performance bonuses that have already been approved for Delphi's 500 executives. On the other hand, the company is in court as well seeking to "dump its contracts" covering 33,000 unionized workers. The company wants to dramatically reduce the pay of the unionized workers.

What You Can Do

The AFL-CIO believes there is a need to put sunlight on CEO compensation. Companies are required to file documents with the Securities and Exchange Commission (SEC) describing their executive's compensation. Yet, the facts and figures on CEO compensation are often hard to read and understand. In fact, in a number of recent stories highlighting CEO compensation, boards of directors claimed that they were kept in the dark regarding the full details of CEO compensation packages.

Clearly, complete disclosure is necessary. The SEC is considering updating and improving its disclosure rules. At the end of the *Executive Pay Watch* discussion at the AFL-CIO web site there is ability to send a prepared e-mail to the SEC in support of changing their disclosure requirements.