American boardrooms

# Corporate chiefs ride high without shareholders' reins

**Andrew Clark in New York**
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Even in the land of free enterprise, patience with boardroom pay is wearing thin. Top corporate bosses in America earn three times as much as their counterparts in Europe - and repeated calls for restraint have fallen on deaf ears.

A typical chief executive of a Fortune 500 company took home $10.8m (£5.3m) last year. That figure is more than 364 times the pay of an average employee - meaning bosses earn in a day what staff make in a year.

According to research published this week by the Washington-based Institute for Policy Studies, the 20 highest-paid US executives made $36m each, which is triple the $12.5m received by the cream of Europe's corporate crop.

Among the top earners were Merrill Lynch's chief executive Stanley O'Neal, who received $91m, Edward Whitacre of the telecoms firm AT&T who got $60m and the Occidental Petroleum president Ray Irani who enjoyed $55m.

Sam Pizzigati, an associate fellow at the IPS, said the huge earnings available are a breeding ground for corruption. "When the potential windfalls at the end of the rainbow are as huge as they are now in corporate America, the incentive for corporate executives to do whatever they can to reach that prize becomes incredible."

The securities and exchange commission last year ordered companies to disclose far more detail on executive pay. Any perks worth more than $10,000 must now be detailed in annual reports, including country club membership, company cars and airline allowances.

The SEC's chairman, Christopher Cox, recently railed against a lack of "plain English", complaining that a typical remuneration report is "as tough to read as a PhD dissertation".

The Democratic majority in Congress wants to crack down. In April, lawmakers approved a proposal for a mandatory "say on pay" vote by shareholders on boardroom remuneration - a requirement that already exists in Britain.

Barney Frank, chairman of the House committee on financial services, described this as a "moderate and temperate" approach to reining in "egregious" corporate salaries. But the White House opposes it and it has little chance of becoming law.

Disquiet about pay peaked in January when the DIY retailer Home Depot ditched its chief executive, Robert Nardelli, with a record payoff of $210m.

Research at Pennsylvania State University found higher staff turnover in management at companies that pay the highest wages at the top. Management professor Tim Pollock said: "It has to do with perceptions of fairness. If they're greatly underpaid compared with the CEO, people tend to care less about their jobs. That's particularly so if times are tough and people read in the papers that their CEO has made millions."

The IPS, together with the non-profit group United for a Fair Economy, has called for harsher tax treatment for million-dollar earners. But defenders of the status quo say that a few extreme examples have skewed public opinion.

Michael Ryan, senior vice-president of the US Chamber of Commerce, said: "I don't think [pay] is out of control. This question takes us away from what's really important - which is how these companies are run and whether they're producing good products and services."

Some commentators query whether extra money is an incentive at such levels. Charles Peck, an expert in executive pay at the Conference Board, said: "It reaches a point where you have to ask just how meaningful the constant increase in compensation can be. After all, a person can only eat one meal at a time, drive one car at a time and sleep in one bed at a time."