Are we paying our CEOs enough?
David Futrelle

Pity the poor CEOs of America. Last year, America's biggest companies increased their revenues –and their profits – by substantial amounts, yet the CEOs leading these companies saw only a meager increase in their compensation: 1.4%, according to a new survey from the Wall Street Journal and the Hay Group. That's only a fraction of the 11% increase CEOs saw in 2011. "For big companies, 2011 was a good year," Scott Thurm of the Wall Street Journal writes. "For their CEOs, it was surprisingly mediocre."

Heck, Thurm notes, some CEOs increased profits only to see their own compensation fall. Nike saw its profits rise 10% in fiscal 2011, but these gains were below the company's targets, and so CEO Mark Parker actually saw his compensation drop nearly 6 percent. Family Dollar Stores saw a 19% increase in earnings per share, but cut CEO Howard Levine's compensation by 11 percent.

In the Washington Post's PostLeadership blog, Jenna McGregor wonders if the whole pay-for-performance system is fundamentally broken. "[T]he whole point of pay-for-performance compensation plans is that executives should do well when their investors do," she writes, "and should suffer the consequences in kind when they don't."

But the fact is that this system has been broken for a long time.

CEOs may not have gotten big raises last year, but they're not exactly suffering. The typical CEO in the WSJ/Hay Group study took home a hefty $9.4 million last year. Family Dollar's Howard Levine may have gotten his bonus trimmed, but he could still pick up more than four and a half million cheap spatulas and off-brand snacks at any of his company's stores.

And not all underperforming CEOs have gotten pay cuts. Over on the Motley Fool, Sean Williams complains (with some justification) that we're still seeing "mind-boggling, brain-numbing CEO pay increases from companies that, in my mind, have no business giving their leaders a raise." Dean Foods CEO Gregg Engles, for example, "has taken home a staggering $117.9 million over the past five years and has averaged $20.4 million in compensation over the past six years despite his stock's average annual decline of 11% over that time span." And yes, he got a big raise last year.

Meanwhile, American workers saw only paltry increases in their wages last year, with percentage gains similar to those of CEOs, according to the Bureau of Labor Statistics. Once you factor in inflation, workers actually saw their real wages fall in 2011.

If we pull back a little further to get an even broader view, there's even less reason to pity our CEOs. Sure, they may not have gotten fat raises last year, but they rake in four times that of

their counterparts back in 1970. During the same period, the typical American worker's salary was stagnant. As the Brookings Institution pointed out recently,

[T]he typical American family is earning more, but almost entirely because parents are working more—not because they are earning more per hour. Although median wages for two-parent families have increased 23 percent since 1975, the evidence suggests that this is not the result of higher wages. Rather, these families are just working more. In 2009, for instance, the typical two-parent family worked 26 percent longer than the typical family in 1975.

As you can see from this instructive chart on the Economic Policy Institute's website, back in the 60s and early 70s, CEOs made about 25 times as much as the average production worker; in recent years – over the past decade and a half or so — they've made closer to 250 times as much. (And some estimates are even higher: the AFL-CIO says that top executives made 343 times more than workers in 2010.)

It's pretty clear to everyone, except perhaps those setting executive pay, that CEOs aren't doing their jobs ten times better than their counterparts were doing in the days of bell bottoms and three-martini lunches. As Peter Whoriskey of the Washington Post notes, "researchers have found that about 90 percent of major U.S. companies expressly set their executive pay targets at or above the median of their peer group." In the executive suites of America, even mediocre CEOs are still treated like royalty.

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