Stephen Kimber

Bottom-up economics

"Where's the public outrage over sky-high CEO pay?" demanded the *Financial Post* in a headline over a March 28, 2013 story highlighting many of the excellent reasons Canadians have to be outraged.

Let's start with this. In 2011, the top 100 Canadian CEOs enjoyed a median pay packet of $7.69 million, a whopping 235 times the median salary of a Canadian worker ($45,488), and 12,000 times what a Bangladeshi garment factory worker earned (even though her labour and those of her countrymen no doubt helped goose the golden egg of at least some of those Canadian executives).

The equality gap is growing exponentially. According to the Canadian Centre for Policy Alternatives, average executive compensation in 1995 was *only* 85 times the salary of the average Canadian. Put another way, in the past 15 years Canadian CEOs almost tripled the already considerable economic distance between themselves and their workers.

The *Post* was quick to point out that, in 2011, average executive pay *only* increased six per cent instead of the 12 per cent it galloped ahead the year before. That will be frosty comfort to Nova Scotia nurses and Prince Edward Island teachers, whose less-than-the-rate-of-inflation salary increases still attract disapproving stares from newspaper editorialists and conservative hand-wringers. *Don't they understand times are tough; we all have to sacrifice.*

Don't they understand times are tough; we all have to sacrifice.

All except, of course, those at the top.

Consider. We are told these are tough times in Atlantic Canada. Governments must slash programs, close schools, increase hospital wait times (all, of course, while cutting business taxes to ensure our delicate-flower corporations can compete in the dog-eat-monkey global economy).

But according to a survey by the online business publication allnovascotia.com, 10 of the 12 CEOs in Atlantic Canada's top publicly traded companies saw their incomes increase last year by... wait for it: 100 per cent, 60 per cent, 44 per cent, 43 per cent, 25 per cent... The only executive to see her earnings drop in 2012 was Bell Aliant Inc. CEO Karen Sheriff. But you needn't lose sleep over her seven per cent reduction in income; she still took home $3.28 million.

Ironically, according to the *Globe and Mail,* one of the factors fueling the current CEO compensation binge is the failure of so many of them to do what they were hired to do. Company boards offer extravagant compensation packages to lure highly touted CEOs to guide their corporate fortunes, only to discover the world is a more complicated place than one CEO can change, then have to pay through the nose to get rid of them, plus pay again for their bad deals and, finally, fork over an even more inflated figure to attract the next CEO.

"Don't pay for failure," Stephen Erlichman, the executive director of the Canadian Coalition for Good Governance, sagely advised. "Generally speaking, in Canada, CEOs are pretty well paid, and if you're going to pay somebody well for being a CEO, the board needs to address the question of do you really need to pay this person that much in termination."

While that may seem like, well, duh... advice, those making decisions seem disinclined to follow it. And, despite the fact some observers tout tighter controls—"We're pleased to see the collective work of the regulators, issuers, shareholder activist groups, independent advisors and stakeholders at large have helped influence public disclosure," Paul Gryglewicz of Global Governance Advisors wrote in the *Globe*—as a sign the situation is improving, the distance between rich and the rest grows daily.

Why is it, the *Post* asked, that there's so little public outrage over these outrages?

It's not that people aren't paying attention. According to a recent survey by the Pew Centre, 45 per cent of Canadians saw inequality as a "very big problem," but only 22 per cent thought solving it should be the government's biggest priority.

Perhaps that's because they're rightly cynical our governments have the guts to hold large corporations to account.

But other governments do.

In March, 68 per cent of Swiss voters approved new rules allowing shareholders to vote on executive compensation—and make the results binding. In France, the government has adopted a new proposal to limit executive salaries to 20 times the amount paid their lowest paid employees.

Imagine if we had such laws here! We'd be a different—better—place. | ABM

The views expressed in this column are those of the author and not necessarily those of Atlantic Business Magazine. Feedback: dchafe@atlanticbusinessmagazine.com