

CEO Salaries and Global Competitiveness

A new feature on the AFL-CIO's Executive Paywatch website (www.aflcio.org/paywatch/ceopay.htm) is certain to raise some eyebrows. According to the union, globalization has led to fierce competition among companies in nearly every aspect of their business-except executive pay. US companies are paying CEOs better than anywhere else in the world-and not 10% or 20% more, but 1,000% or more.

The disparity between CEO and worker salaries was also greatest in the US. Towers Perrin's 1999 Worldwide Total Remuneration report shows that German CEOs make 13 times more than the average manufacturing employee. In Japan, the CEO-to-worker pay ratio is 11:1. This compares to the US, where, according to Business Week's 1999 survey, the average CEO of a major corporation earned 475 times more than the average blue-collar worker and six times the average CEO paycheck in 1990. (The average CEO salary in 1999 was \$12.4 million, up 17% from the previous year.) Many developing countries have much lower ratios, such as Thailand (24:1) or Malaysia (11:1). Latin American executives higher on the Towers Perrin's poll, with the following countries reporting the greatest disparities: Argentina (44 to 1), Brazil (49:1), Mexico (46:1), and Venezuela (50:1).

What does this trend suggest? Among other things, it indicates the huge income disparities between haves and have nots both in the US and Latin America's largest and supposedly richest countries. It also may reflect the demand for executives in countries that have received a growing share of foreign direct investment and have privatized their basic industries and services.