Reflections on CEO Compensation

Through the Lens of Shalom and Justice

__Kimberly M Sawers__ reveals the latest facts about CEO pay and the widening gap between this and median corporate pay, which cause surprise and dismay to many. She points out the fundamental assumptions and ideology that underlie CEO incentives: agency theory, maximizing shareholder value and the free market. She offers an alternative approach based on the Christian concepts of shalom and justice, and makes some practical suggestions.

Introduction

Chief Executive Officer (CEO) compensation in the U.S. has grown from a CEO-to-worker pay ratio of 30:1 in 1989 to 331:1 in 2014[1]. In response, the Securities and Exchange Commission (SEC) issued a rule on CEO pay disclosures as mandated by the Dodd-Frank Act. Among other things, the rule requires public corporations to disclose a ratio of annual compensation of the CEO to the median of the annual total compensation of all employees. The purpose of the rule was to heighten awareness of executive compensation and encourage shareholder engagement. In addition, increased disclosure was intended to highlight the need to create a long-term rather than short-term perspective, reduce incentives for short-term gain that benefit executives

Marc Lore is the President and Chief Executive Officer of Walmart eCommerce U.S. In the year 2016, Wal-Mart Stores Inc paid him approximately $236,896,190 thus making him the highest paid CEO of this world.

Photo: Fortune magazine