

CEO pay is more about white male entitlement than value for money

Written by Carl Rhodes, Professor of Organization Studies, University of Technology Sydney

What a week it was for the CEO class. On the Monday, July 16, the [Bloomberg Billionaires Index](#) announced that Amazon chief Jeff Bezos had amassed a personal net worth of over US\$150 billion. He's the richest person in modern history.

On Tuesday, the Australian Council of Superannuation Investors published a [report](#) showing that total pay for Australian corporate bosses hit a 17-year high in 2017. Topping the list was Domino's Pizzas chief Don Meij who received a hefty annual income of A\$36.8 million.

Meanwhile, over in Vermont, US Senator Bernie Sanders invited the CEOs of Amazon, Walmart, McDonald's and Disney to meet their employees for a live streamed discussion, [saying](#) :

I really hope (the CEOs) have the guts to sit on a panel with their own employees and explain why it's acceptable that they receive huge compensation packages while their very own workers are struggling to put food on the table.

None of the CEOs showed up.

Public outcry

The vast income enjoyed by the corporate elite jars with Australia's "fair go" culture. While top bosses averaged yearly take-home [pay increases of more than 12% to A\\$4.36 million](#) in 2017, [wage growth for ordinary workers hit record lows](#), and is still [barely keeping up with inflation](#).

Rubbing salt into the wound are [cuts to penalty rates](#), [wage-theft scandals](#) and retailers

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announcing they want to
[freeze the minimum wage](#)

Things must be getting pretty bad when even Prime Minister Malcolm Turnbull, normally bullish in his support of corporate Australia, admits that top-end remuneration appears to be “[extraordinarily high](#)”

Amidst the outcry, however, some still rush to the defence of the C-suite dwellers. “[Executive pay experts](#)” have slammed criticism as nonsense, arguing that if Australian corporations want to be competitive in attracting “global talent” then their pay should actually be higher.

The [market-based justification](#) for swag-bag sized pay packets is a common defence for executive excess. CEOs deserve massive remuneration because they single-handedly lead their companies to success, it's argued. To suggest anything else is labelled [crass populism](#)

Where is the evidence of performance?

Do CEOs really add so much to a company that they deserve these gargantuan salaries? No, according to a recent study entitled ‘How much do CEOs really matter?’ by [Markus Fitza](#) at Texas A&M University. He statistically isolated the “CEO effect” – the extent to which they actually influence a company's performance – in 1,500 of the largest US firms between 1993 and 2012.

He discovered that the CEO effect was negligible in these companies. Financial performance could be better explained by random luck or chance than the qualities of a great leader.

[Research](#) by Weijia Li and Steven Young at Lancaster University found something similar. They focused on the UK's top 350 biggest firms between 2003 and 2014. These companies increased their value (returns on investment/capital) by only 1%, yet executive pay over the

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same period increased by 80%, most of it described as performance-related.

The UK government has now taken tentative [steps to rein in excessive pay](#) for chief executives.

A white male culture of entitlement

There's another problem with this story about "business heroes" earning their due through extraordinary merit. When you look at the pictures of the top ten CEOs, all you see are smiling white faces of men.

This is so even though the number of [women CEOs in Australia](#) hit an all-time high this year. The top 200 listed companies now have 12 women in the top job! Not just a vast minority, on average those women earn about A\$1 million less than their male counterparts.

The rapid explosion of CEO pay is part of a more general trend that has been building steam for the past 30 years. In what has been dubbed the [CEO Society](#) bosses are lauded as supermen to be venerated, despite clear evidence – ranging from the Global Financial Crisis to eye-watering levels of inequality – that their collective influence is socially and economically damaging.

The level of CEO pay reflects an elitist corporate culture of privilege and entitlement. It's dominated by middle-aged white men whose singular responsibility for corporate success is hugely overstated at best.

What is to be done? A [recent survey](#) found that three-quarters of Australians agreed corporate salaries should be capped. Most said the maximum should be around \$720,000. We would add that remuneration and stock options above that figure should be subjected to a [windfall tax](#) of say 90%.

So why not legislate for a system that where CEOs get fair pay for a fair day's work? Well, as

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Professor [Wendy Brown](#) of the University of California, Berkeley, shows, today's political consensus is marked by an increasingly intimate relationship between corporations and the state, at the expense of democracy.

If the furore over CEO pay is anything to go by, it is the nature of that political consensus that needs to change so entrenched systems of inequality based on gender and racially based privilege are no longer acceptable.

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Authors: Carl Rhodes, Professor of Organization Studies, University of Technology Sydney

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