US CEO compensation rose by 8.5 percent in 2016

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Research group Equilar published its annual report on CEO compensation this week, revealing that compensation for chief executive officers of US-based corporations rose by 8.5 percent between 2015 and 2016. The median compensation for CEOs in Equilar's study was $11.5 million.

Compensation for CEOs has risen at about twice the rate of pay for workers; between 2011 and 2016, CEO compensation rose by 19.6 percent. Within the same period, median wages for workers have only risen by 10.9 percent.

Industrial goods companies boasted the highest rate of compensation for CEOs. Companies such as 3M, Caterpillar, and GE awarded their CEOs with a median compensation of $13.2 million in 2016. The healthcare industry, which includes pharmaceutical companies, came just behind with median CEO compensation packages of $12.9 million. The utilities sector came in last in the study for CEO compensation, with median compensation of $9.7 million—still significantly higher than rank and file workers in that industry could ever hope to earn.

Compensation packages for CEOs is intimately tied to stock market performance; boards of directors in 2016 overwhelmingly compensated CEOs with stock and options grants, thus incentivizing executives' focus on stock price. The Standard & Poor's 500 index returned 12 percent last year and over the past five years, the S&P 500 has risen by 1,000 points.

These robust gains for both stock prices and CEO compensation have not translated in gains for workers. To the contrary, they are predicated upon multiple attacks upon workers' wages and their standard of living.

Douglas R. Oberhelman, the former CEO for Caterpillar, earned a base salary of $1.6 million in 2016, his last year with the company. However, he also received sizable cash bonuses and stock options yearly. While his compensation decreased in 2016—to just over $15 million down from almost $18 million in 2015—he remained solidly placed among Equilar's top 100 highest-paid CEOs.

Caterpillar workers, by contrast, are facing layoffs, wage freezes, and plant closures. The company, with the cooperation of the United Auto Workers (UAW), bullied workers in Illinois with threats of plant closures ahead of the union contract's expiration earlier this year. Caterpillar's proposal included no cost of living adjustment for workers hired before 2005 (so-called First Tier workers), instead offering them a lump sum of $1,000 at the end of 2020. It dangled a $10,000 early retirement bonus to older workers in an effort to phase out well-compensated workers—a bonus it did not extend to workers at its Aurora, Illinois plant.

Second-tier workers, those hired after 2005, did not fare so well, either. They are guaranteed only two wage increases set at a meager 2 percent in 2018 and 2020. The contract allows Caterpillar the option to increase wages in accordance with market performance.

After Caterpillar, working in concert with the UAW, forced these concessions onto its workers, the company announced its plans to shut down the Aurora, Illinois plant in 2018.

In light of these insulting terms, Oberhalman's performance-based cut of $2 million is a laughable fig leaf on the part of Caterpillar's board of directors.

The compensation packages for CEOs in the healthcare sector likewise demonstrate how profits arise from attacks upon the working class.

Healthcare stocks soared in the wake of the passage in the House of the draconian American Health Care Act (AHCA) earlier this month. Trump and his cronies in Congress pushed for a vote on the AHCA ahead of representative's break so they would not risk pressure from their constituents who would be most affected by the bill.

The act goes beyond the attacks lobbed at Americans' healthcare by the Affordable Care Act, popularly known as Obamacare, forcing workers with preexisting illnesses off of the rolls, raising premiums and co-pays, and allowing employers wide berth in denying employee coverage for drugs and procedures they find morally objectionable.

The AHCA will cost millions of Americans their healthcare coverage. Those who maintain coverage will likely find that many of their injuries and illnesses will not be covered. This disastrous legislation will most assuredly cost many Americans their lives.

Yet as the general public panicked, unsure of whether they would be able to afford the treatments that allow them a reasonable standard of living, stocks for some of the most offensively malfeasant insurance companies—Cigna, UnitedHealth Group, Aetna, and Humana—saw their stock prices increase handsomely. Significantly, at the same time, investment advisors were warning clients away from investing in hospitals—combined with the Trump budget's proposed attacks upon Medicaid and Medicare, the AHCA's passage has made hospitals a risky investment.

This is the backdrop against which the healthcare sector's stocks reap their greatest windfalls, against which healthcare sector CEOs can expect to sit on the top of Equilar's list in 2017.

Stephen J. Hemsley, CEO of UnitedHealth Group, took home $14.5 million in 2016. Even non-profit Blue Shield of California Chief Executive Paul Markovich took home $3.5 million in 2016, a 40 percent increase over his beginning pay in 2013.

Wages for workers have mostly stagnated since the Great Recession. In some cases, due to the underhanded collusion of trade union bureaucrats with companies such as Caterpillar, wages have actually fallen. The paltry raises that are given cannot be expected to keep pace with the cost of living for workers in any tier. The collusion of the unions and the corporations has also resulted in workers paying higher health insurance premiums and co-pays.

On its face, bullish stocks and unjustifiably outrageous compensations for CEOs—particularly in industrial goods and healthcare—seem ironic in light of falling wages, factory closures, and poor worker health. Upon closer examination, however, it is clear these disparities are neither ironic nor incidental.