CEOs got smaller raises. It would still take a typical worker two lifetimes to make their annual pay

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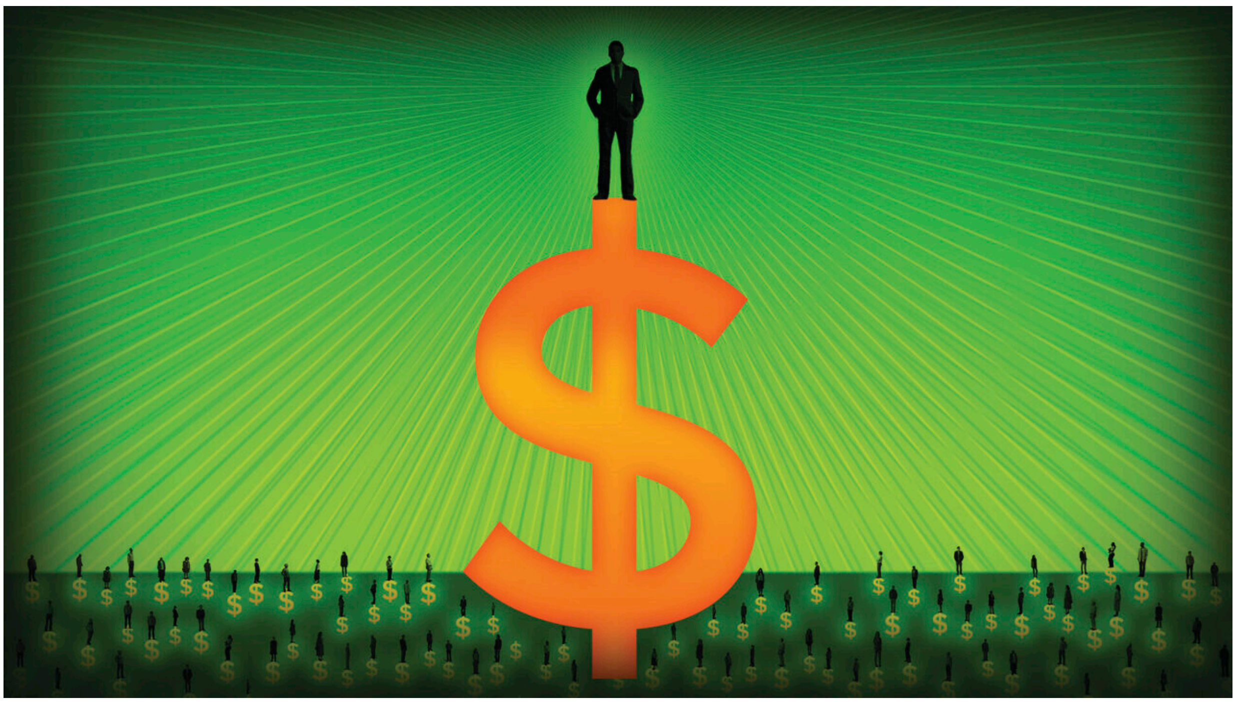

Credit: AP Illustration/Peter Hamlin

After ballooning for years, CEO pay growth is finally slowing.

The typical compensation package for chief executives who run S&P 500 companies rose just 0.9% last year, to a median of $14.8 million, according to data analyzed for The Associated Press by Equilar. That means half the CEOs in the survey made more and half made less. It was the smallest increase since 2015.

Still, that's unlikely to quell mounting criticism that CEO pay has become excessively high and the imbalance between company bosses and rank-and-file workers too wide. Discontent over that gap has helped fuel labor unrest, and even some institutional investors have pushed back against a few of the most eye-popping packages.

The smaller increase came after CEO pay soared 17% in 2021, when boards rewarded top executives handsomely for steering their companies through the pandemic-induced recession.

Many of the compensation packages were approved early in 2022 but even a small raise might seem lavish in retrospect against the backdrop of a year in which stock markets tanked to their worst performance since 2008, inflation erased wage gains, fears of a recession grew, and tech giants began laying off workers.

"I'm not surprised that after two record years in a row, pay hikes cooled somewhat," said Sarah Anderson, who directs the Global Economy Project at the progressive Institute for Policy Studies. "What we shouldn't lose sight of is that CEO pay is still off the charts by historical measures." She said even a small hike last year was "outrageous."

In contrast to recent years, CEO pay gains were lower than the 5.1% increase in wages and benefits netted by private-sector workers through 2022.

Still, worker pay failed to keep up with inflation, which was sitting at 6.4% at the end of last year. And the pay disparity between CEOs and rank-and-file workers, which has been widening for years, narrowed only slightly.

The median pay for workers at companies included in the AP survey was $77,178, up 1.3% from $76,160 the previous year. That means it would take that worker 186 years to make what a CEO making the median pay earned just last year. At the same group of companies in 2021, it would have taken 190 years.

The timing of some of the biggest pay packages struck a discordant note against the backdrop of difficult times for their industries.

Alphabet's CEO, Sundar Pichai, ranked No. 1 in the AP's pay survey this year with a package valued at nearly $226 million. The vast majority of his compensation came from a grant of restricted stock, valued at $218 million, and which Google grants its CEO every three years.

Alphabet CEO Sundar Pichai speaks at a Google I/O event in Mountain View, Calif., on May 10, 2023. After ballooning for years, CEO pay growth is finally slowing. Pichai ranked No. 1 in the AP's pay survey this year with a package valued at $226 million. Credit: AP Photo/Jeff Chiu, File

The leader of Google won't reap most of the benefits of the stocks awards right away and how much he realizes ultimately depends on how Alphabet's stock performs. Alphabet noted in its annual proxy filing that, compared with Pichai's 2019 stock awards, a greater proportion of the latest batch will only vest if the company reaches goals for shareholder return.

Even so, Pichai received a total compensation package 15 times higher than this year's median CEO pay just before Google laid off tens of thousands of workers. The company's total shareholder returns fell 39% last year.

Stephen McMurtry, a Google software engineer and member of the Alphabet Workers Union-CWA, said he was not impressed when Pichai told employees shortly after the layoffs that executives would take significant bonus cuts in 2023 because "bonuses are a small part of executives' primarily stock-based compensation." Pichai didn't receive a bonus in 2022.

"The clear disparity between executive rewards and our jobless former coworkers erodes trust and further underscores the need for transparency," McMurtry said in a statement e-mailed to AP.

Like many companies, Alphabet's equity portion of executive compensation is designed to reflect results over several years. Since Pichai started as CEO in 2015, Alphabet's stock has nearly quadrupled, and the company has become the third most valuable on Wall Street.

Alphabet declined to comment beyond its proxy statement.

Nearly 130 CEOs in the AP's survey saw pay cuts last year. Among them was UPS CEO Carol Tomé, who received a total compensation package valued at nearly $19 million, most of it in stock awards. That's down 31% from $27.6 million in 2021. UPS said Tome's compensation was lower because she didn't exceed performance targets by as much in 2022 as she did in 2021.

Tomé is trying to stave off a potentially crippling strike by unionized workers, who feel they saw little of the company's windfall in profits, which nearly tripled during the pandemic as consumer reliance on deliveries grew.

"I don't feel bad for her that she got a decrease," said Jimi Hadley, UPS package driver in Roswell, Georgia, and Teamsters shop steward. "Nineteen million? Most workers will never make that in their entire life."

Tomé's pay was 364 times higher than $52,144 median pay for UPS workers, although the company notes that the average pay for full-time drivers is $95,000. UPS says its executive pay is "at the midpoint when compared to other companies of similar size and global scale."

Some boards put the brakes on CEO compensation following pushback from institutional investors, who get the chance to vote in "Say On Pay" tallies at annual shareholder meetings, although such votes are only advisory and don't compel boards to make changes.

Apple CEO Tim Cook smiles at an Apple event in Cupertino, Calif., on Sept. 7, 2022. After ballooning for years, CEO pay growth is finally slowing. Cook, who was number three in the AP CEO pay survey, requested a 40% pay cut in 2023 after shareholders questioned the size and structure of his $99.4 million compensation package in 2022. Credit: AP Photo/Jeff Chiu, File

Homebuilder Lennar, for example, capped the annual cash bonuses for its co-CEOs, Rick Beckwitt and Jonathan Jaffe, at $6 million each in response to complaints from investors about their $16.6 million bonuses in 2021. Just 63% of Lennar's investors voted to approve the pay packages at last year's shareholder meeting, compared to 84% in 2021.

Beckwitt and Jaffe saw their total compensation fall 11% and 12% in

2022, respectively, to $30.4 million and $30 million.

Higher up the pay scale, Apple CEO Tim Cook was no. 3 in the AP survey with a compensation package valued at $99.4 million, nearly identical to what Apple gave him in 2021. But Cook has requested a 40% pay cut for 2023, in response to the vote at last year's annual meeting, where just 64% of shareholders approved of Cook's pay package, compared to 94% the previous year.

Such shareholder pushback remains rare, however. The vast majority of companies included in AP's survey received more than 90% support for their executive compensation programs in 2022.

The AP's and Equilar's compensation study included pay data for 343 CEOs at S&P 500 companies who have served at least two fiscal years at their companies, which filed proxy statements between Jan. 1 and April 30. Some well-paid CEOs are not included because they don't fit the criteria, such as Amazon's Andy Jassy and Microsoft's Satya Nadella.

The biggest cuts to CEO pay last year were in annual performance-based cash awards, which were down 15.5% to a median of $2.3 million. On the other hand, stock awards rose 10.5% to a median of $8.5 million.

Cash salaries and bonuses comprised less than a quarter of compensation for the typical CEO in the survey. The bulk comes from stock and stock options because shareholders have advocated for CEO pay to closely aligned with their own returns.

Executives will likely see steeper pay cuts in 2023 when boards consider the full effect of the stock market's downturn, said Kelly Malafis, a partner at Compensation Advisory Partners, a consulting firm that works with boards.

"We're not seeing companies slash and burn," Malafis said. "We might see some of that next year."

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