

January 2007

TIMING IS EVERYTHING

Comparing the earnings
of Canada's highest-paid CEOs
and the rest of us

By Hugh Mackenzie

Growing Gap  **.ca**

CANADIAN CENTRE FOR POLICY ALTERNATIVES

ISBN 978-0-88627-523-5

Canadian Centre for Policy Alternatives

2 Carlton Street, Suite 1001

Toronto, Ontario

(416) 263-9896

www.GrowingGap.ca

Timing is Everything

Analysts of income distribution have experimented with a variety of ways to highlight the degree of inequality in a society.

For those who love precision and are academically inclined, we have the gini coefficient, which is derived by grouping individuals by income class, from the lowest-income to the highest-income class and calculating the share of total income earned by each income group. The coefficient is a way of describing a graph of population shares against income shares.

For those who love evocative imagery, we have Jan Pens' "parade of the dwarfs and giants". In Pens' parade, as it is known, the entire population marches past a point in an hour, beginning with those with the lowest incomes and finishing off with those with the highest incomes. Each person's height is proportional to his or her income, so the parade starts with very tiny dwarfs, proceeds for most of the hour with people ranging in height from very small children to very tall adults, and finishes with a flourish with a very small number of very large giants right at the end of the hour.

Because income from employment is earned by working for a given period of time for which one gets paid, it makes sense to use time to present a picture of how employment earnings compare.

The points of reference used for this picture of the earnings of Canada's highest-paid CEOs are the annual earnings for a Canadian making the overall average of wages and salaries in the economy and the annual earnings of a Canadian working at the average of Canada's provincial minimum wages.

For Canada's CEOs, we use total compensation as reported in corporate information circulars. The source of the data is the survey of top 100 CEOs for 2005 published in *The Globe and Mail* on May 6, 2006.

The average of the top-paid CEOs pocketed \$9,059,113 in 2005. The top 100 ranged from \$2,870,118 (number 100) to \$74,824,355 (number one).

Average earnings of Canadian workers are calculated from Statistics Canada's measure of average weekly earnings (wages and salaries) for 2005, CANSIM Table #281-0044. The average of weekly earnings using this measure was \$728.17, for an annual total (52.2 working weeks) of \$38,010.

The average provincial minimum wage is the weighted average of the 10 provincial minimum wages. The provincial minimum wages are weighted by total provincial employment.

The average calculated using this method for 2005 was \$7.63 per hour. That is translated into annual earnings at 8 hours per day; 5 days per week; and 52.2 working weeks per year. Annual minimum wage earnings calculated this way amount to \$15,931.

To translate average earnings and average minimum wage earnings into time on a CEO's salary, several assumptions were made:

- The CEO is employed full-time, with a normal work day of 9:00 a.m. to 5:00 p.m.
- The CEO is paid for statutory holidays.
- To make the totals comparable, time on vacation is treated as time paid, just as it is in the calculation of average and minimum wage earnings.

The results are as follows:

The average CEO reaches the Canadian average earnings by 9:46 a.m. on January 2. He/she reaches average full-time minimum wage earnings at 12:40 p.m. — just after noon — on New Year's Day.

The lowest-paid of the top 100 CEOs will have been paid the Canadian average annual earnings by 12:39 p.m. on January 4 and minimum wage earnings by 12:39 p.m. on January 2.

Canada's highest-paid CEO in 2005 would barely have had time for morning coffee on New Year's Day before matching average earnings for Canadians for the whole year. His pay passes the Canadian average at 10:04 a.m. on January 1.

By 6:00 pm on January 2, the average of the 100 top-paid CEOs will have earned nearly \$70,000. The highest-paid CEO will have earned more than \$570,000.

Or to put it differently, the average of the top 100 CEOs is paid as much in a year as 238 people working full-year at the average of Canadian wages and salaries.

The highest-paid CEO makes as much as a small town — 1,969 people — working at the average of wages and salaries, or 4,696 people working full-year at the minimum wage.

The distance between the average CEO and the average Canadian is so extreme that it looks ridiculous when displayed graphically, as the chart on the following page illustrates.

Where's Waldo, indeed.

Where's Waldo?

Ten points if you can find the average salary on this chart.
100 points if you can find the minimum wage worker.

