EXECUTIVE COMPENSATION**

I. CURRENT TRENDS AND PRACTICES


Reports a median increase of 20.8 per cent in salaries of chief executives during the period 1949 to 1955. Companies with formal retirement and dependent protection plans increased from about 52 per cent in 1949 to more than 74 per cent in 1954.


Summarizes the results of a salary and wage survey of 41 leading companies for the years 1939 and 1950. The survey revealed that, while the gross income of supervised employees had increased by 106 per cent, top management’s income had increased by only 35 per cent.

*Fetter, Robert B. and Donald C. Johnson. Compensation and incentives for industrial executives. Bloomington, Indiana University Press. 1952. 208 pp. $5.00.*

A study of the problems of executive motivation and of compensation practices in fifty large companies emphasizing the impact of steeply graduated income taxes.


A tabulation of the three top executive salaries in some 1200 manufacturing and non-manufacturing companies. The data is arranged by industry, and is broken down into its components of base salaries, bonuses, and pensions.


*Supplements Selected References No. 30, October, 1949 and No. 44, March, 1952.

**Items from this list should be ordered directly from the publisher. Addresses are given in connection with each reference.
A general review of the characteristics and prevalence of various types of supplementary pay plans, based upon American Management Association surveys. Bonus plans were found to be the most popular form of incentives. Methods for bringing retirement plans within an incentive framework are also discussed.

2. TAXATION AND EXECUTIVE COMPENSATION


Reviews the current tax status of the leading forms of deferred compensation plans including: (1) qualified pension and profit-sharing plans, (2) nonqualified deferred-payment plans, (3) restricted stock options, and (4) non-qualified stock options.


On the basis of interviews with 56 firms or agencies, this study analyzes deferred compensation plans with respect to trends, effects, and reasons for their growth. Special consideration is devoted to the influence of increased tax rates upon these developments.


An occasionally detailed, but not too technical, account of tax intricacies, primarily of non-qualified plans. The relative tax advantages to employer and employee of funded versus non-funded, and forfeitable versus non-forfeitable, plans are presented in admirably clear fashion.


A review of supplementary pay plans which emphasizes tax aspects. Three types of plans are discussed: (1) "fringes" such as group insurance and expense allowances, which are non-taxable; (2) stock plans, with emphasis upon stock options, which are taxable; and (3) plans involving deferred compensation.

An exhaustive analysis of the 1954 changes in the Code, especially with respect to restricted stock options. The author also examines the implications of seven recent court cases on stock options not qualifying as restricted. He concludes with a comparison of the relative advantages of the two types of options in the light of recent legal developments.

Sanders, Thomas H. Effects of taxation on executives. Boston 63. Graduate School of Business Administration, Harvard University. 1951. 229 pp. $3.25.

In Part I of this study the author examines the effect of high taxes and the consequent reduction in net compensation upon the incentives of executives. In Part II the effects of taxation upon corporation policy toward the various forms of executive compensation are examined in detail.


Indispensable for the student of legal and tax problems. Clauses from company contracts and plans designed to illustrate the varying types of plans in operation are reproduced.


A discussion of the status of qualified pension plans under current tax law with special emphasis upon provisions relating to participation by top salary grades.

3. Evaluations and Analyses of Specific Types of Compensation and Salary Determination Plans


Part I provides a balanced discussion of the virtues and defects of stock options which concludes that stock options are deficient in several respects when used as a general form of payment. In Part II several subsidized savings plans are described and suggested as substitutes for stock options.
No. 67, Executive expense accounts. New York 22 (460 Park Ave.),
1954. 31 pp. Membership.

Presents a detailed breakdown of information on the types of ex-
penses allowed as reimbursable among the 185 companies that co-
operated in this study. The study also reports that, "While the great
majority of cooperating companies report conservative expense ac-
count policies, it is admitted that there has been relaxation of the con-
trols in recent years. . . ."

Patton, Arch. "Incentive compensation for executives." Harvard Busi-
ness Review ( Soldiers Field, Boston 63), September, 1951. pp. 35-46.
$1.50.

Makes a plea for the use of bonuses as a device for eliciting maximum
effort from executives. The author takes care to point out that such
bonuses must be allocated in proportion to performance rather than
to salary if maximum results are to be achieved. A check list of points
essential for the successful operation of such a scheme is appended.

Stryker, Perrin. "Do stock options pay?" Fortune (9 Rockefeller Plaza,
$1.00.

Reports the findings of a survey of thirty plans which reveals that
the plans worked to the financial advantage of the optionees in almost
every case. The author points out, however, that stock options may
have severe limitations as a device for increasing the value of the
executive to his company.

———. "How much is an executive worth?" Fortune (9 Rockefeller
234- $1.00.

Opens with a review of theories regarding the determinants of the
size of executive compensation. The remainder of the article describes
a number of schemes designed to establish objective criteria for the
determination of executive salaries by means of job evaluation.

Warren, B. B. "Evaluation of managerial positions." The AMA hand-
book of wage and salary administration, tested compensation methods
for factory, office and managerial personnel. Edited by M. Joseph
Dooher and Vivienne Marquis. New York 36. American Manage-
ment Association (330 W. 42nd St.). 1950. pp. 261-274. $5.00,
members; $7.50, non-members.

A description of the managerial job evaluation plan at General Foods
Corporation which applies to more than 600 positions ranging in
salary rates from $5,000 to $30,000. The system follows principles
developed from the "factor comparison" method of job evaluation.