

Pay Gap between CEOs and Workers in Canadian Industry, 2011

By Pushpa Kumari

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About the Author

Pushpa Kumari is a Senior Economist at Economic Policy Dialogue. She is an M A, M Phil, Ph D in Economics. Having Research and teaching experience of more than a decade, she has many publications to her credit.

pushpa@epdonline.org

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www.epdonline.org

epd@epdonline.org

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Executive Summary

Pay Gap Survey 2011 reports the pay gap between CEOs of the top 100 companies and workers in the Canadian industry as a whole and also in its various sectors during 2010. Some of the key points of this year's survey are presented here.

Top 100 public companies had 104 CEOs in the list during 2010. The highest and lowest compensation earning CEOs were: Edward Sampson of Niko Resources (\$16,474,616), and Keith A. MacPhail of Bonavista Energy (\$422,250)

These all 104 CEOs received a total compensation pool of \$629,027,838 in 2010; it increased by 11.56 per cent from the last year's pool.

Three sectors – oil and Gas, materials, and Finance – seemed to have dominated the total compensation pool by taking away about 54 per cent share of it; whereas, remaining about 46 per cent share was being distributed among another nine sectors.

A CEO of the top 100 corporations bagged an average annual compensation of about \$6 million, whereas a typical Canadian industry employee earned an average annual pay of about \$44 thousand and an hourly-paid employee about \$33 thousand in 2010. A CEO had a huge increase of more than 10 per cent in the annual average compensation from the last year, whereas an employee about 4 per cent and hourly employee about 3 per cent.

A CEO earned 136 times than a typical employee and 183 times than an hourly-paid employee in 2010.

Food Service sector had the lowest average annual employees' pay (salaried-&-hourly: \$16,936 and hourly: \$14,303), and Oil and Gas had the highest average annual employees' pay (salaried-&-hourly: \$115,338) in the given list of sectors. The highest available pay for hourly employees in our list of sectors was \$75,353 for Oil & Gas-Support services.

With respect to sectoral pay ratios: out of total given 26 sectors, CEO-employee pay ratio was the highest for Manufacturing- Clothing at 384 and lowest for Oil & Gas-Support services at 24; whereas out of 18 industrial sectors for which data were available on hourly employees, CEO-hourly employee pay ratio was highest and lowest for the same sectors as above at 485 and 26, respectively.

35% sectors of total given 26 sectors had higher than the national average of CEO-employee pay ratio (136), and 33% sectors of total given 18 sectors had higher than the national average CEO-hourly employee pay ratio (183). Whereas, 12% sectors had less than half the national average (<68) CEO-employee pay ratio, and 28% sectors had less than half of the national average ratio (<91.5) CEO-hourly employee pay ratio.

Banking sector is found to be the most representative case of higher pay gap in 2010 (where CEO compensation was very high across the sector and employees' pay was low) followed by other two sectors, namely Manufacturing- Transportation Equipment, and Manufacturing- Chemical.

Higher pay ratio always shows greater pay differences between CEOs and other employees, which is considered a bad sign for any society. Worst are those cases where besides higher pay ratios, sectors have also very low employees' earnings, for example: Food Services, Retail- General Stores, and Manufacturing- Clothing.

Pay Gap between CEOs and Workers in Canadian Industry, 2011

Introduction

Unstoppable pay gap between CEOs and workers has been an issue for social anxiety and concern. However, despite wide criticism from all the corners, especially after the global financial crisis of 2008, CEO compensation math seems to be working as usual.

In the continuation of our annual exercise, present survey reports how much pay gap has been this year between the CEOs and workers in the Canadian industry as a whole and also in its different sectors. Sectoral level exercise adds a unique perspective and, thus, differentiates our work from other pay gap surveys.

This year's survey reports the pay gap for the year of 2010. In the first part, annual compensation pool of CEOs will be analyzed. Highlights of the year will be discussed along with the exhibition which major sectors have dominated the total CEO compensation pool. In the second part, industry-level absolute and relative gaps will be portrayed between average annual pays of a CEO and a worker of the Canadian industry. In the third part, pay gap between CEOs and workers in the various sectors of Canadian industry will be presented. Methodology and sources of data will be detailed at the end.

Annual compensation of top 100 corporations' CEOs are considered to represent the pay of Canadian Industry's CEOs. And average annual earnings of employees (hourly-&-salaried) and hourly-paid employees are used to represent the pay of industry workers. Industry-level pay gap is computed in terms of ratio between average CEO compensation and average worker earnings during the year. Sector-level pay gap is calculated by a ratio between the average CEO compensation of all the firms in an industrial sector and average annual earnings of workers in that particular sector.

Part 1: Highlights of the Year on CEOs' Compensation

There were 104 CEOs in the list of top 100 corporations during 2010. Four companies, namely Magna International, Research in Motion, IGM Financial, and Power Corporation of Canada, have two CEOs each in the list as these were there in the 2008 and 2009 list too.

Top three CEOs and their compensation were: Edward Sampson of Niko Resources with \$16,474,616, and two from Magna International, Donald Walker with \$16,194,004 and Siegfried Wolf with \$16,047,490. However, Siegfried Wolf left the company in Nov. 2010.

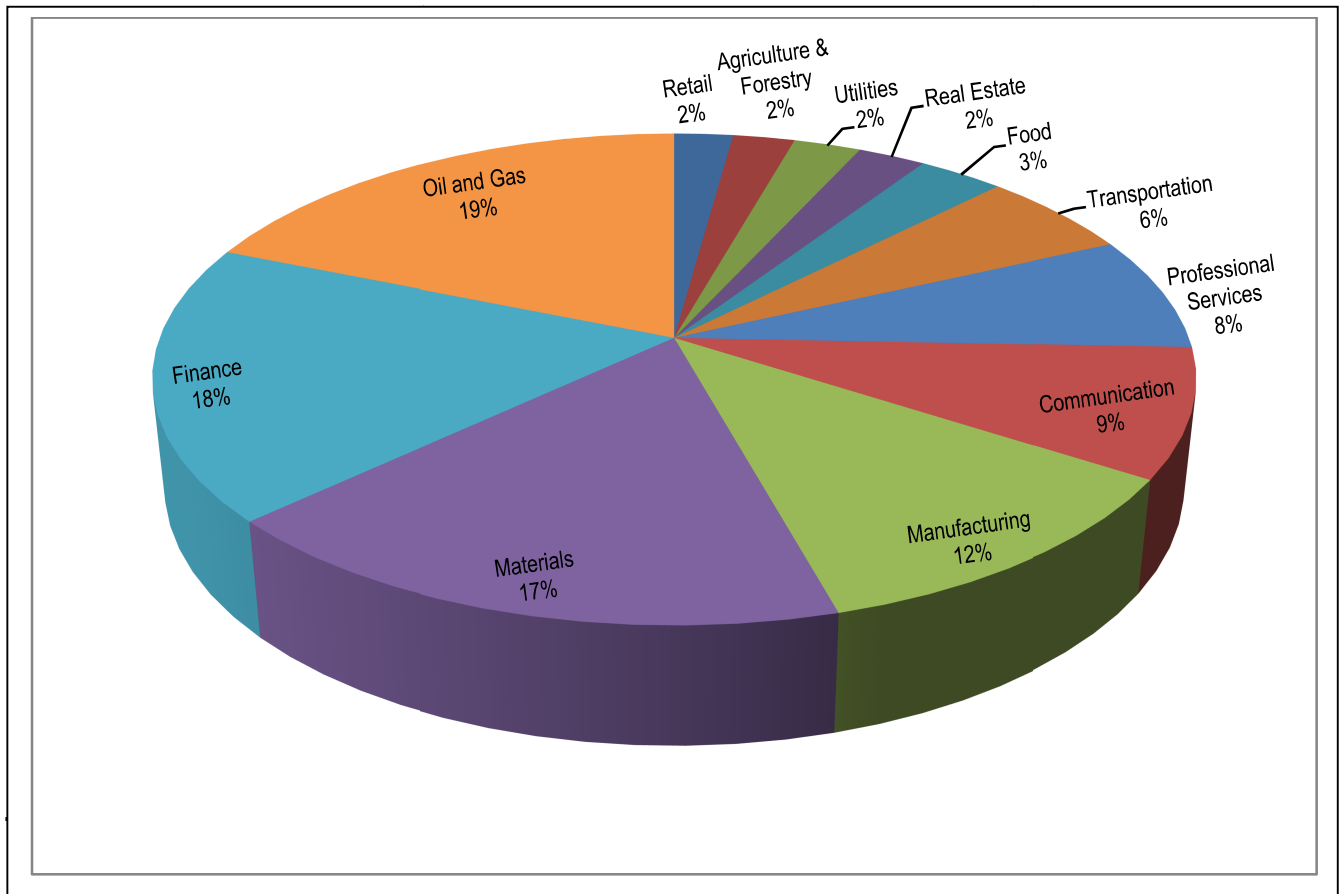
These all 104 CEOs received a total compensation of \$629,027,838 in 2010. Total compensation pool increased by 11.56 per cent from the last year's total compensation of \$563,863,200.

Sectoral distribution of total compensation pool: to see the sectoral distribution, all the 100 corporations were divided into 12 major sectors and presented here in the Table 1 and Graph 1. Three sectors, same as the last year, – oil and Gas, materials (mining and quarrying, except oil and gas), and Finance – seemed to have dominated the show taking away about 54 per cent share of the total CEO compensation. Remaining 46 per cent compensation pool was shared by other nine industrial sectors.

Table 1: Distribution of (Top 100 Companies') Total CEO Compensation into Major Industrial Sectors, 2010

Major Industrial Sectors	Sectoral Distribution of CEO Compensation
Retail	13,463,755
Agriculture & Forestry	14,129,495
Utilities	15,433,139
Real Estate	15,503,594
Food	19,638,981
Transportation	35,832,677
Professional Services	47,228,860
Communication	53,414,837
Manufacturing	72,767,355
Materials	109,164,297
Finance	114,138,312
Oil and Gas	118,312,536
Total	629,027,838

Graph 1: Percentage Distribution of (Top 100 Companies') Total CEO Compensation into Major Industrial Sectors, 2010

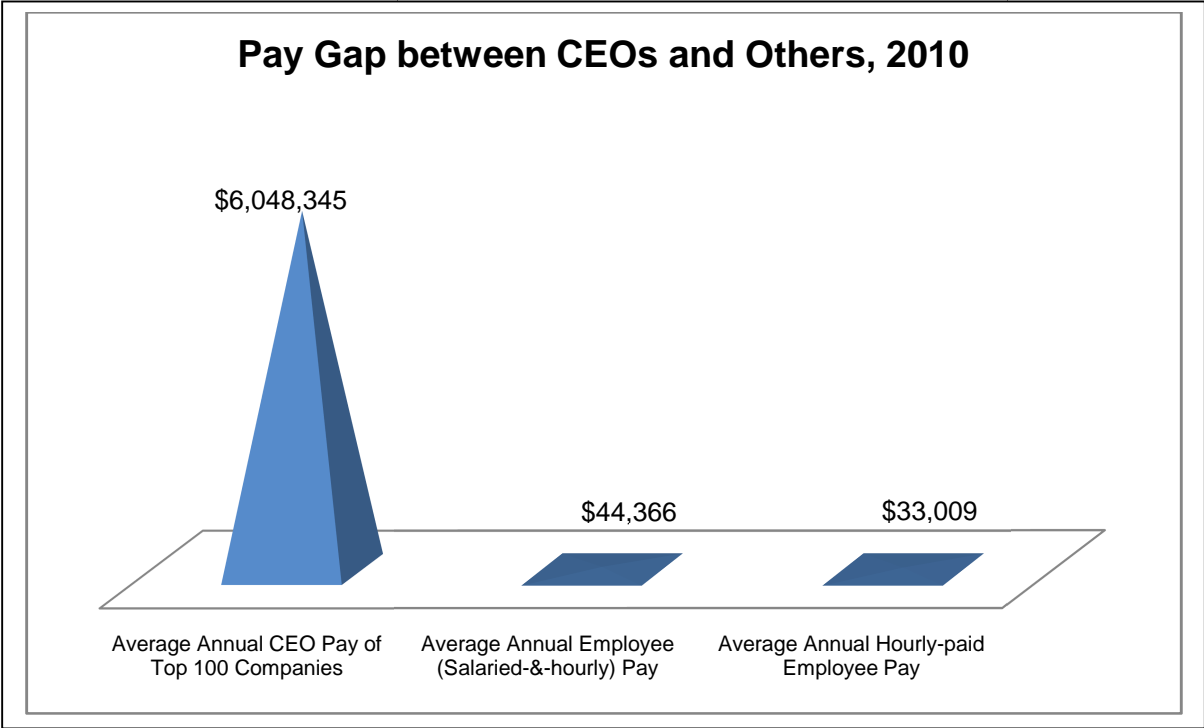


Part 2: Pay Gap between CEOs and other Employees in entire Canadian Industry, 2010

A CEO of the top 100 corporations bagged average annual compensation of about \$6 million, whereas a typical Canadian industry employee (hourly-&-salaried) earned an average annual pay of about \$44 thousand and an hourly-paid employee about \$33 thousand in 2010 (Graph 2). That means a CEO earned 136 times than a typical employee and 183 times than an hourly-paid employee in 2010 (Graph 3).¹

As compared to 2009, a CEO gained more than 10 per cent increase in the annual average compensation in 2010, an employee about 4 per cent and hourly employee about 3 per cent.² Therefore, it was a huge gain for the CEOs in 2010.

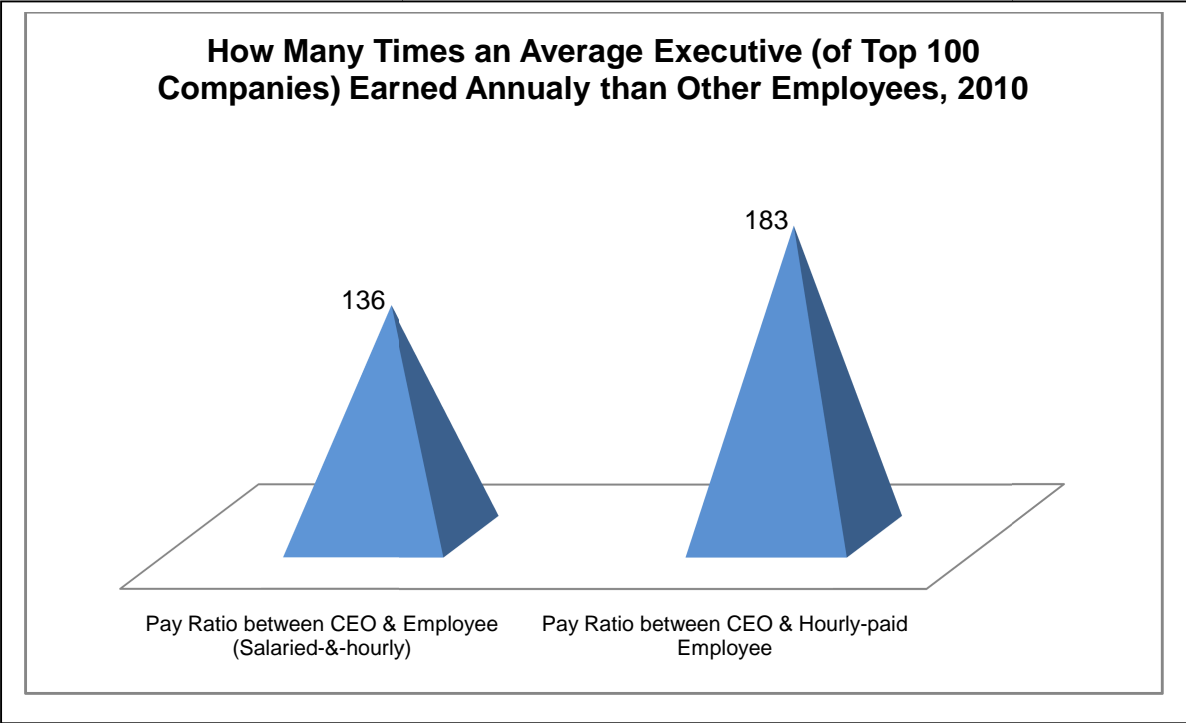
Graph 2: Comparison between Average Annual Pays of a CEO (of the Top 100 Corporations) and other Employees, 2010



¹ These ratios were 128 and 171, respectively in 2009.

² A CEO got an annual average compensation of \$5.5 million and a typical employee about \$43 thousand and an hourly-paid employee about \$32 thousand in 2009.

Graph 3: Ratio between Average Annual Pays of a CEO (of the Top 100 Companies) and other Employees, 2010



Part 3: Pay Gap between CEOs and Other Employees in various Sectors of Canadian Industry, 2010

For sectoral pay-gap analysis, all the 100 companies and above 12 more general sectors were rearranged into more specific 27 industrial sectors. This division was done to facilitate the workers’ pay (at three digit level) corresponding to the sectors for which CEOs’ compensation was available. For example: (for the given companies) broad Retail sector was divided into Retail- Food & Beverage Stores, Retail- General Stores, Retail- Health & Personal Care Stores, Retail- Motor Vehicle Dealers; and Financial Services sector was divided into Banking, Financial Investment & Related Activities, and Insurance & Related Activities. Out of these 27 sectors, 12 sectors³ were single-

³ Agriculture, Food Services, Forestry and Logging, Manufacturing- Clothing, Manufacturing- Food, Oil & Gas- Support services, Publishing, Real Estate- Engineering & Construction, Retail- General Stores, Retail- Health & Personal Care Stores, Retail- Motor Vehicle Dealers, and Transportation & Warehousing.

company sectors. One sector, Transportation- Pipeline could not be considered for the pay ratio calculation as data on wages were not available for the employees.

Table 2 and Graph 4 show the CEO-employee (salaried-&-hourly) pay ratios for 26 industrial sectors and CEO-hourly employee pay ratios for 18 sectors, as in the latter case data on the wages and working hours were not available for 8 sectors (these were: Manufacturing- Transportation Equipment, Publishing, Retail- General Stores, Retail- Health & Personal Care Stores, Management and Diversified, Other Financial Investment and Related Activities, Oil and Gas, and Utilities). Following are the key points from the analyses:

1. Edward Sampson of Niko Resources Ltd. earned the highest annual compensation of more than \$16 million. And, Keith MacPhail of Bonavista Energy Corporation was the last in the list earning \$422,250.
2. Food Service sector⁴ had the lowest average annual employees' pay (salaried-&-hourly: \$16,936 and hourly: \$14,303) in the given list of sectors, followed by most of the retail sector including Retail- Food & Beverage Stores⁵ (\$21,049, \$18,842), Retail- General Stores⁶ (\$21,797, N.A.), Retail- Health & Personal Care Stores⁷ (\$29,058, N.A.), and then by Manufacturing- Clothing (\$29238, \$23134).
3. Oil and Gas⁸ had the highest average annual employees' pay (salaried-&-hourly: \$115,338, hourly: N.A.) in the given list of sectors, followed by Utilities⁹ (\$81,616, N.A.), Oil & Gas- Support services¹⁰ (\$80,611, \$75,353), Precious Metals^{11,12} (\$75,132, \$66,028), and Other Financial Investment & Related Activities¹³ (\$69,316, N.A.).
4. With respect to the CEO-employee (salaried-&-hourly) pay ratio, out of 26 sectors, Manufacturing- Clothing had the highest pay ratio of 384, whereas Oil & Gas-

⁴ Like, Tim Hortons Inc.

⁵ Like, Empire Co. Ltd., and Loblaw Companies Limited.

⁶ Like, Canadian Tire Corp. Ltd., and Dollarama Inc.

⁷ Like, Shoppers Drug Mart Corp.

⁸ Like, ARC Resources Ltd., and Baytex Energy Corp.

⁹ Like, Canadian Utilities Ltd., and TransAlta Corp.

¹⁰ Like, Trinidad Drilling Ltd.

¹¹ Like, Barrick Gold Corporation, and IAMGOLD Corp.

¹² This comes under 'Mining and Quarrying (except Oil and Gas)' sector at three digit level.

¹³ Like, IGM Financial Inc., and CI Financial Corp.

Support services had the lowest of 24. With respect to the CEO-hourly employee pay ratio, the same sectors as above had the highest and lowest pay-ratios – Manufacturing- Clothing had the highest pay ratio of 485 and Oil & Gas- Support services had the lowest of 26 in all 18 industrial sectors for which hourly data were available.

5. Total 9 sectors out of given 26 sectors (i.e. 35%) had higher than the national average CEO-employee (salaried-&hourly) pay ratio of 136, these are: Manufacturing- Clothing (384), Retail- General Stores (319), Banking (218), Food Services (212), Manufacturing- Transportation Equipment (208), Forestry and Logging (186), Publishing (154), Transportation and Warehousing (151), and Manufacturing- Chemical (144). With respect to the CEO-hourly employee pay ratio, 6 sectors out of given total 18 sectors (i.e. 33%) have higher than the national average ratio of 183: Manufacturing- Clothing (485), Banking (341), Food Services (251), Manufacturing- Chemical (211), Forestry and Logging (198), and Real Estate (185).
6. As regards to the CEO-employee (salaried-&hourly) pay ratio, 3 sectors (i.e. 12%) had less than half the national average (<68): Oil & Gas- Support services (24), Utilities (38), and Oil & Gas (53). Regarding CEO-hourly employee pay ratio, 5 sectors (i.e. 28%) had less than half of the national average ratio (<91.5): Oil & Gas- Support services (26), Real Estate- Engineering & Construction (79), Precious Metals (83), Manufacturing- Food (85), and Retail- Motor Vehicle Dealers (87).
7. Higher pay ratio always shows greater pay differences between CEOs and other employees, which is considered a bad sign for any society. Worst are those cases where besides higher pay ratios, sectors have also very low employees' earnings, for example: Food Services, Retail- General Stores, and Manufacturing- Clothing.
8. Banking sector is found to be the most representative case of higher pay gap where CEO compensation (the numerator) was very high across the sector (as indicated by low CV) and employees' pay (the denominator) low. Banking sector was followed by other two sectors with the similar features, namely Manufacturing- Transportation Equipment, and Manufacturing- Chemical. Although Manufacturing-

Clothing had the highest pay-gap ratio and also had one of the highest CEO compensation and lowest employees pay; but being single company sector, pay-gap ratio may or may not be a true representative of the sector.

Table 2: Sectoral Pay Averages and Ratios, 2010

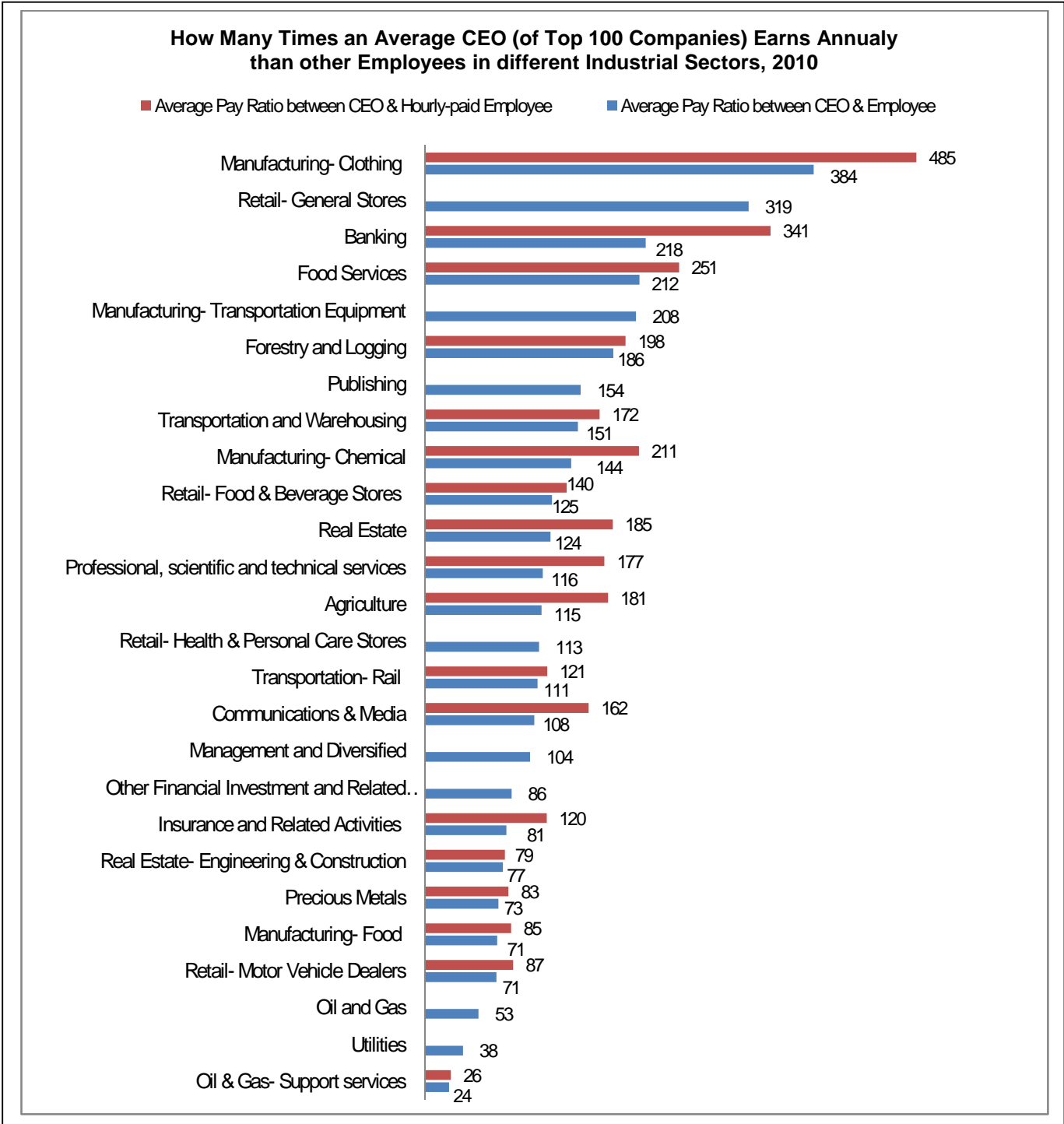
Sectors	CEO Pay - Sectoral Average (\$)	CEO Pay – Coefficient of Variation (CV)	Employee Pay - Sectoral Average (\$)	Hourly Employee Pay - Sectoral Average (\$)	Average Pay Ratio between CEO & Employee	Average Pay Ratio between CEO & Hourly Paid Employee
Manufacturing- Clothing	11,216,009	–	29,238	23,134	384	485
Retail- General Stores	6,959,544	–	21,797	N.A.	319	
Banking	10,473,911	0.26	48,065	30,707	218	341
Food Services	3,586,544	–	16,936	14,303	212	251
Manufacturing- Transportation Equipment	12,044,498	0.59	57,811	N.A.	208	
Forestry and Logging	9,580,784	–	51,484	48,393	186	198
Publishing	8,939,474	–	58,078	N.A.	154	
Transportation and Warehousing	6,941,349	–	45,933	40,246	151	172
Manufacturing- Chemical	8,472,617	0.40	58,641	40,100	144	211
Retail- Food & Beverage Stores	2,640,638	0.32	21,049	18,842	125	140
Real Estate	5,265,700	0.01	42,415	28,400	124	185
Professional, scientific and technical services	7,153,505	0.38	61,454	40,359	116	177
Agriculture	4,548,711	–	39,475	25,160	115	181
Retail- Health & Personal Care Stores	3,275,807	–	29,058	N.A.	113	
Transportation- Rail	7,267,803	0.13	65,342	60,176	111	121
Communications & Media	6,353,623	0.39	58,704	39,290	108	162
Management and Diversified	6,442,087	0.42	62,037	N.A.	104	
Other Financial Investment and Related Activities	5,941,148	0.74	69,316	N.A.	86	
Insurance and Related Activities	4,588,376	0.76	56,963	38,113	81	120
Real Estate- Engineering & Construction	4,972,195	–	64,420	62,864	77	79
Precious Metals	5,458,215	0.57	75,132	66,028	73	83
Manufacturing- Food	2,849,249	–	39,906	33,423	71	85
Retail- Motor Vehicle Dealers	3,228,404	–	45,691	36,970	71	87
Oil and Gas	6,124,450	0.78	115,338	N.A.	53	
Utilities	3,086,628	0.44	81,616	N.A.	38	
Oil & Gas- Support services	1,947,992	–	80,611	75,353	24	26
Transportation- Pipeline	4,785,241	0.60	N.A.	N.A.		

Notes:

N.A. Not Available

– Cannot be calculated as these are single-company sectors. For the list, see ‘Note number 2’ of the Graph 4.

Graph 4: Ratio between Average Annual Pays of a CEO (of Top 100 Companies) and other Employees in various Industrial Sectors, 2010



Notes:

1. When there is no red bar, it means data for hourly-paid employees are not available.
2. There were 12 sectors with single company each – Agriculture, Food Services, Forestry and Logging, Manufacturing- Clothing, Manufacturing- Food, Oil & Gas- Support services, Publishing, Real Estate- Engineering & Construction, Retail- General Stores, Retail- Health & Personal Care Stores, Retail- Motor Vehicle Dealers, Transportation and Warehousing.

Methodology

Two data sources were relied on: Globe and Mail 2011 listⁱ 'Executive compensation rankings for Canada's 100 biggest companies', and Statistics Canada resources. The former list contained the ranking and compensation of 104 CEOs of the 100 largest public companies (by market capitalization) in the S&P/TSX composite index as of December 31, 2010. Three summary tablesⁱⁱ of the Statistics Canada were used to calculate the pays of workers: industry-wise average weekly earnings for (hourly-&-salaried) employees, industry-wise average hourly earnings for hourly employees, and industry-wise average weekly hours for hourly employees. 'North American Industry Classification System (NAICS) 2007 – Canada', published by Statistics Canada, was used to determine the industry classificationⁱⁱⁱ. Three digit level industry classifications were used; when three digit data were not available, two digit data was relied on (only one such instance this year).

For the sectoral CEO and employee pay ratios' computation, companies were arranged into more specific 27 sectors depending on the basis of their type of activity. This arrangement was done in order to facilitate the employees' wages and working hours (at three digit level) corresponding to the CEOs' pays in those sectors. For example, Financial Services sector was divided into Banking, Financial Investment & Related Activities, and Insurance & Related Activities. After rearranging the industrial sectors, data on employees' wages and working hours were collected correspondingly.

As it is obvious, CEOs' Total compensation figures (comprising of salary, bonus, stock awards, option grants, and pension value) were taken from the Globe and Mail list. To calculate employees' average annual earnings, weekly earnings were multiplied by 52 [i.e., (weekly earnings)*(52)]. In case of hourly-paid employees, work hours and hourly earnings were given; therefore, to arrive at average annual earnings, hourly earnings were multiplied by weekly hours and 52 [i.e., (hourly earnings)*(weekly hours)*(52)]. These annual pays were used to calculate the respective pay ratios.

Endnotes and Data Sources

ⁱ Globe and Mail. Executive compensation 2010. Published on 29 May 2011. “Executive compensation rankings for Canada’s 100 biggest companies”. Accessed on 19 Aug. 2011.

<<http://www.theglobeandmail.com/report-on-business/managing/executive-compensation/executive-compensation-rankings-for-canadas-100-biggest-companies/article2038022/>>.

ⁱⁱ Following are the Sources of these three summary tables:

Statistics Canada. “Earnings, average hourly for hourly paid employees, by industry”. Summary Tables. Accessed in 2011 and 2012. <<http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/labr74a-eng.htm>>.

---. “Earnings, average weekly, by industry”. Summary Tables. Accessed in 2011 and 2012. <<http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/labr73a-eng.htm>>.

---. “Weekly hours of hourly paid employees, average, by industry”. Summary Tables. Accessed in 2011 and 2012. <<http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/labr81a-eng.htm>>.

ⁱⁱⁱ Statistics Canada. “North American Industry Classification System (NAICS) 2007 – Canada”. 2007. Accessed in 2011. <<http://www.statcan.gc.ca/subjects-sujets/standard-norme/naics-scian/2007/list-liste-eng.htm>>