

Executive salaries: do they deserve their salary? essay sample

[Economics](#), [Money](#)



It is a well known fact that many people holding high positions in companies make an

exorbitant amount of money. Some, however, say that they do not deserve the amount that they are paid. They feel that for the amount of work that is done by these executives, their paycheck is simply too high. Also, they believe that these high paid workers often do a mediocre job, while still managing to reap the benefits of being an executive. While these are viable arguments against this issue, the other side of the spectrum shows that this is not so. There is an equal amount of evidence, if not more, that suggests that executives earn every penny of their paychecks.

The CEOs of companies are under an extraordinary amount of pressure. They face the

task of making sure that a company pulls in a profit, or possibly losing their job. There are few, if any other positions that put an employee in this situation. Important decisions are made by them everyday, many of which decide whether a company will prosper, or go under. Many of these people had to work their way to the top. They usually have extensive business backgrounds, and know their field well. There are very few people qualified, or knowledgeable enough to perform well in executive positions. That makes the ones that are, a hot commodity. Thus allowing them to demand the high pay that they earn.

When the public sees a salary that they consider to be too big, they are usually looking at only half of the picture. It is impossible to look at just the

salary, without taking any other factors into consideration. One must look at the amount of earnings, compared to the profits of the company.

Most jobs are clear-cut. A person has a designated task to perform, and the method of performing this task is clearly laid out. If all directions are followed, then there is not too much that can go wrong. This, unfortunately, is not the situation for top executives in companies. They are in the tough position of making decisions that may affect the whole company. With one bad move, they can bring a multi-million dollar business under. On the same level, though, that can bring in an infinite amount of profit by making a good move. All executives realize this, and this puts an superfluous amount of pressure on them. Most people could not handle this on a day in, day out basis. It would eventually catch up to them.

Seeing that one person is given so much power, what guarantee is there that they will do a good job? There is none. That is why there has to be a large amount of money involved.

If a person did a job such as this, and received a small amount of pay, then there would not be much incentive for them to do a good job. They could always find another job, with a similar amount of pay, that did not put them under the stress that executive jobs put them under. Once an immense salary comes into play, then that gives a person reason to thrive in such an industry. When a person has a goal such as this, it tends to elevate their performance to a higher level. This means a company succeeds, and pulls in a profit. It seems that whenever money becomes a factor, a much greater

importance is put on things, and a much smaller margin of error is tolerated. The top executives are the ones who are affected by this, and it is they who are rewarded, or punished depending on the outcome of their company.

US executives receive a substantially larger pay than their worldwide colleagues do. One report on earnings showed that ' USCEOs were earning 3.2 times more than their British counterparts. This is a tremendous difference, when one considers that these people are doing the same job. This contrast in salaries leads one to ask the question: Why do Americans earn so much more? The quality of work is not an issue. There are many successful businessmen in Britain, as there are in America. It is not a question of talent, because if a person can be successful in one field or situation, then they will most likely be able to cross it over into another area. In other words, if a businessman is able to be successful in Britain, then they will presumably be able to succeed in America. The reason why Americans are paid more is really quite simple. America does things on a much larger scale than other countries. This does not only concern salaries, but just about all other fields as well. The problem is not finding qualified people that will work for lower wages.

However, it is more an issue of companies realizing the magnitude of the job being done, and rewarding the employee with an amount of money that they deserve. This is an acknowledgment by businesses, that CEOs of companies should be getting the pay that they get.

If a company in America wanted to, they could easily hire an executive from another country at a lower rate. In fact, many workers from other countries are hired. However, when this happens, it is not a decision designed to save money. It is a decision that is meant only to bring in quality workers. The new employees are usually started off with an 'American' level of pay. It is the company, not the worker that is responsible for high wages. This negates the idea that quality workers cannot be found at a reasonable rate. It is the decision of the company to pick pay rates that are high, rather than a result of worker demands. If people in the industry decided that executives were not worth the money that they earn, it is up to them to lower their pay.

Now that it has been established that CEOs deserve their paychecks, it is time to examine problems with the system. It is not perfect, but for that matter, neither is anything else. One major setback is the fact that most wages are not representative of the productivity of that employee. Whether a worker is a model employee who is very prolific, or a poor worker who is unproductive, they still are given the same treatment by a company as far as pay is concerned. This can lead to a business losing vast amounts of money, while the CEO fills his pockets with money.

One solution is to make a direct connection between the amount of money that a person is paid, and the quality of work that the person does. This would not only put pressure on that individual to do a good job, but it would also give them incentive to produce more. The best possible way to implement this would be to start people off with a low base salary, and award large bonuses for any goals that they meet. Right now, there are

many hard working employees. They appear to be putting their full effort into their job. However, it is amazing to see how much more can be done when monetary awards are on the line. It may mean the difference between an employee staying focused on his job and making his business successful, rather than an employee slipping a little bit and forcing his company to lose money. This technique of linking pay to performance is practiced often in countries such as Germany, but is discouraged in place such as America and Japan. This is definitely a policy that should be considered in countries across the world.

It has been established that top executives do make a lot of money. It has also been established that they deserve the money that they receive is well deserved. These employees are making important decisions everyday. They are under a tremendous amount of pressure to succeed. It is their job to make sure that large corporations. Their jobs are arguably some of the most important in the world. This certainly allows them to be presented with such large salaries.

There are a few steps, however, that can be taken to regulate the salaries that are executives are paid. This is necessary because only the select workers that do their job on a superior level deserve the high amount of money that they get. First, give executives a base salary, and award bonuses on top of that for any profitable work done by that employee. This would not only give them a reason to bring their work up to a premium level, but also create a distinction between those employees who are successful, and the

ones who are not. This would also serve as a way to weed out those employees who cannot cut it.

It should also be easier for a corporation to get rid of an unwanted employee. Right now, many are tied into contracts that require a large sum of money be paid if the employee is released early. There needs to be escape clauses if that employee performs lower than expectations. This will keep only the best employees running businesses, meaning that these companies will be more successful. If all of these ideas were implemented, then the world of high paid executives would run smoothly, without and controversy, or dispute concerning amount of pay.