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Are CEOs Overpaid?

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ABSTRACT: Recent articles in both the business press and academic literature question whether CEOs are paid too much for their contributions to firm performance. We address this question by evaluating the relative contribution of CEOs to firm performance using other top executives as the comparison group. We find that, while CEOs receive significantly higher compensation than other top executives, the per-dollar-return to shareholders from CEO compensation is significantly lower than the per-dollar-return from other top executive compensation. Thus, our analysis provides empirical evidence that U.S. CEOs are overpaid relative to other top executives. We show that the overpay phenomenon is robust over years and across industries.