

THE COMPENSATION OF EXECUTIVE
OFFICERS OF RETAIL COMPANIES
1928-1935

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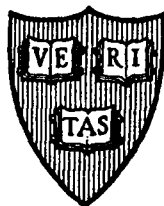


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FOREWORD

Following the development of the large corporation, frequently with wide public ownership, as a predominant form of business organization, there has been a marked growth of interest in regard to the salaries paid to principal executives. This interest has been expressed concerning both the amounts paid and the modes of payment. Not only has the general public lacked information on these matters, but even stockholders customarily were not given such data; and actually a great many business men themselves have been in the dark as to the salaries paid in companies other than their own. A common query among business executives is, "What constitutes a fair salary to pay for the job of president, or general manager, or vice president, or treasurer?"

From quite another standpoint also, namely, that of the economist, the dearth of information in regard to executive salaries was keenly felt. Partly because of the lack of such data, theories relating to the whole subject of business profits and the intimately related problem of executive compensation have been considered one of the least satisfactory parts of economic theory. A number of years ago, a preliminary study of some of these problems was made on a questionnaire basis by Professor F. W. Taussig and Mr. W. S. Barker, and the findings were published in the *Quarterly Journal of Economics*, November, 1925, under the title, "American Corporations and Their Executives". Most of the data used in that study were for the pre-war period, a time when the practice of executive profit sharing was far less common than it later became. Although some joint plans were tentatively considered by the Business School and the Department of Economics looking toward the inauguration of similar studies covering a later period, the project was laid aside both because of lack of financial support and also because of the anticipated difficulty of obtaining so much confidential information from a large number of American corporations.

In 1933 the situation was changed radically by government action. Senate Resolution Number 75 of the Seventy-third Congress, First Session, directed the Federal Trade Commission to obtain data on executive salaries from each of the companies listed on the New York Stock Exchange and the New York Curb Exchange for each year during the period from 1928 to 1933; and in February, 1934, the early findings of the Federal Trade Commission were made public. Since that time, there has been a fairly steady stream of information on corporate salaries emanating first from the Federal Trade Commission and later from the Securities and Exchange Commission.

Recognizing the importance of these figures and the need for interpretation, Mr. John C. Baker, the Associate Director of Research at the School, with assistance from the Milton Fund began a study of these reports, utilizing photostatic copies of original data submitted to the Federal Trade Commission and the Securities and Exchange Commission. At the outset Mr. Baker, in collaboration with Professor William Leonard Crum, made a survey of executive salaries for a sample of 100 companies listed on the New York Stock Exchange. The results of this analysis were published in an article entitled "Compensation of Corporation Executives—The 1928–1932 Record" in the Spring, 1935, issue of the *Harvard Business Review*. Subsequently Mr. Baker published in the *Review* the findings of two further studies: "Executive Compensation Compared with Earnings" (Winter, 1936); and "Incentive Compensation Plans for Executives" (Autumn, 1936).

At this point further examination of the data indicated the desirability of a number of special studies of executive compensation in particular fields of business. For the first of these, retailing was selected, partly because of the background afforded by the quantity of statistical material on retail costs and profits that was available over a period of years as a result of the continued studies of the Harvard Bureau of Business Research. This monograph, then, deals with the executive compensation of officers in retail companies for the years 1928–1935. The purpose is primarily to make a factual report, to indicate what the average payments to executives were; what form they took; how they fluctuated from 1928 to 1935; and how they were related to sales, expenses, general pay roll, earnings, dividends, executive stock holdings, and so on. No effort is made to express judgment as to the soundness or propriety of the policies followed. These are problems for economists and business analysts at some time in the future when a larger quantity of data is available than now exists.

In the statistical work involved in the preparation of this monograph, Mr. Baker had the assistance of Mr. Andrew R. Towl and Miss Evelyn H. Puffer. Miss Elizabeth A. Burnham, Chief Statistician of the Bureau of Business Research, collaborated with Mr. Baker throughout the greater part of the study, especially in the preparation and analysis of the statistics.

Boston, Massachusetts
March, 1937

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CONTENTS

List of Tables and Charts	vi
Introduction	1
The Executive Group Defined	2
Executive Compensation Defined	2
Earnings Defined	3
Compensation Methods and Figures	3
Fluctuations in Sales 1928-1935	4
Executive Compensation and Sales	5
Trends in Executive Employment	6
Changes in Executive Compensation	7
Trends in Executive Compensation and General Pay Roll Compared	9
Executive Bonus Plans Used by Many Companies	10
The Relation of Bonus Payments to Total Executive Compensation	11
Compensation Practices of Individual Companies	13
The Relation of Compensation to Earnings and Dividends	16
Chains	18
Department Store Companies	19
Individual Companies, 1928-1934	20
The Significance of Stock Ownership in the Payment of Dividends and Executive Compensation	20
Earnings Classified According to the Extent of Stock Ownership by Management	25
Executive Compensation in Dollars	26
Does High Executive Compensation Mean Large Earnings?	28
Conclusions	31
Appendix	33

LIST OF TABLES

	PAGE
Table 1. Selected Operating Expense Figures of Large Department Stores, Limited Price Variety Chains, and Grocery Chains	2
Table 2. Classification of 38 Retail Companies According to Volume of Sales: 1929	4
Table 3. Average Sales per Company for 13 Department Store Companies and 19 Chains: 1928-1935	4
Table 4. Executive Compensation as a Percentage of Sales in Retail and Industrial Companies: 1928-1935	5
Table 5. Distribution of Retail Companies According to Number of Executives per Company: 1928-1935	7
Table 6. Compensation of All Executives, and of the Three Highest Paid Executives, in Each Retail Company: 1928-1935	8
Table 7. Executive Compensation and Total Pay Roll for Department Store and Other Retail Companies: 1928-1935	9
Table 8. Changes in Percentage of Executives Receiving both Salary and Bonus and Percentage of Companies Paying Bonuses: 1928-1932	19
Table 9. Changes in Numbers of Executives Receiving both Salary and Bonus, and in Number of Companies Paying Bonuses: 1928-1932	11
Table 10. Changes in Salaries and Total Executive Compensation for 38 Retail Companies: 1928-1935	12
Table 11. Compensation of the Three Highest Paid Executives in Each Retail Company: 1928-1935	14
Table 12. Detailed Executive Compensation and Earnings Figures for 38 Retail Companies	15
Table 13. Executive Compensation, Balance Available for Dividends, and Dividends in Relation to Earnings: 1928-1935	17
Table 14. Sales, Earnings, Executive Compensation, and Dividend Figures for 38 Retail Companies: 1928-1934, Accumulated	21
Table 15. Executive Compensation and Dividends for 26 Separate Retail Companies, Classified According to the Percentage of Voting Stock Owned by Management: 1929, and 1928-1934, Accumulated	22
Table 16. Earnings in Percentage of Sales for 37 Retail Companies, Classified According to the Percentage of Voting Stock Owned by Management: 1929	24
Table 17. Earnings in Percentage of Sales for 37 Retail Companies, Classified According to the Percentage of Voting Stock Owned by Management: 1928-1934, Accumulated	25
Table 18. Typical Compensation in Dollars Paid to Chief Executives in Retail and Industrial Companies: 1929 and 1934	27
Table 19. Typical Compensation in Dollars Paid to Chief Executives in Retail and Industrial Companies, Classified According to Size of Company: 1934	28
Table 20. Executive Compensation and Earnings Figures for 12 Retail Companies Paying Only Salaries: 1929 and 1932	29

LIST OF CHARTS

	PAGE
Chart 1. Executive Salaries, Bonus Payments, and Total Compensation for Retail Companies Paying Substantial Bonuses in 1929: 1928-1932	13
Chart 2. Total Executive Compensation of 35 Retail Companies: 1928-1932	13
Chart 3. Executive Compensation, Balance Available for Dividends, Dividends, and Earnings for 38 Retail Companies: 1928-1935	18
Charts 4-7. Correlation of Executive Compensation and Earnings in Percentage of Sales for Chain and Department Store Companies: 1929 and 1932	30

THE COMPENSATION OF EXECUTIVE OFFICERS OF RETAIL COMPANIES

1928-1935

INTRODUCTION

The compensation of executive officers of retail companies, like that of industrial executives, has long been shrouded in corporate secrecy. Compensation policies and data heretofore have been considered too important to be discussed even at annual meetings of stockholders. Now, however, by virtue of the disclosures of the Federal Trade Commission¹ and the Securities and Exchange Commission², such information has become for the most part public property. In the past, some of the many important questions frequently asked in this area were: How much are retail executives paid? Are they paid too much? How do these payments to retail executives compare with similar payments in other businesses? How large a part of the consumer's dollar goes to the executive group? Does executive compensation fluctuate with sales and earnings? Is there any relationship between executive compensation and dividends? Are many retail executives paid bonuses? Is there any connection between stock ownership and executive compensation, and between stock ownership and earnings? The burden of this analysis will be to answer these and similar questions.

Nearly all large publicly owned corporations of the present day began as small proprietorships, or as family or local companies, and grew slowly into large nationally known organizations. Retail trade, traditionally a stronghold of small proprietors and of family ownership, only recently has been influenced markedly by this trend toward wide diversity of ownership which has been clearly evident in other lines of business for many years. Only 10 of the 38 companies examined in this study were listed on the New York Stock Exchange prior to 1922, while 28 of them were listed during or since that year. Of the latter group, approximately one-third were listed during or since 1928. Usually

¹ Senate Resolution No. 75, 73d Congress, 1st Session (1933-1934). See Exhibit 1, p. 33.

² Securities and Exchange Commission Act of 1934, with subsequent modification. See Exhibit 2, p. 34.

the listing of a firm on the New York Stock Exchange leads to a wide dispersion of shares. That a high degree of concentration in stock ownership still exists among retail companies, as contrasted with industrial corporations, is clearly evident. On the average, 34% of the voting stock of the 38 retail companies studied (Table 14) was owned by management or closely related groups in 1934, as contrasted with 8.1% for a sample of 107 industrial firms in the same year³.

Prior to the disclosure of executive compensation data by the Federal Trade Commission and the Securities and Exchange Commission, one of the important sources of information on this, as on other aspects of operating expense in the retail field, was the studies of the Harvard Bureau of Business Research. These studies present for various retail trades average operating expenses expressed as percentages of net sales. In order to help the reader get his bearings as to the relative importance of total expense and of payments to retail employees, whether executives or clerks, a few figures have been summarized in Table 1 from various bulletins of the Bureau. For department stores an average percentage is given for executive pay roll. In the case of chains, however, corresponding figures are not available since executive compensation is included in a more general item covering salaries of buyers and supervisors.

The information in the table clearly indicates that executive compensation in the retail field amounts to but a small proportion either of net sales or of total expense. The figures also show that retail chain expense percentages, in general, are lower than department store expense percentages, a fact which is explained in part by differences in organization, kind of goods distributed, and corporate policies.

³ Gordon, R. A., "Stockholdings of Officers and Directors in American Industrial Corporations", *Quarterly Journal of Economics*, August 1936, p. 632.

Table 1. Selected Operating Expense Figures of Large Department Stores, Limited Price Variety Chains, and Grocery Chains¹
(Median Figures²; Net Sales = 100%)

Items	Department Stores with Net Sales of \$20,000,000 or More 1935	Variety Chains 1935	Grocery Chains 1934
Number of Reporting Firms.....	9	18	29
Total Expense Including Interest.....	36.0%	30.05%	23.28%
Pay Roll:			
Total.....	18.3%	14.91%	12.23%
Direct and General Selling ³	8.3	12.63	8.93
Buyers and Assistants Executive.....	2.2	.....	.....
Officers, Executives, Buyers, and Superintendents or Supervisors ⁴	0.7	.....	.....
	.....	1.43	1.26

¹ Harvard Business School, Bureau of Business Research, Bulletin No. 100, *Operating Results of Department and Specialty Stores in 1935*, by Carl N. Schmalz, p. 23; Bulletin No. 99, *Expenses and Profits of Food Chains in 1934*, by Carl N. Schmalz, p. 20; also hitherto unpublished figures prepared by the Bureau for variety and grocery chains.

² The figures for department stores are adjusted medians; that is, in selecting them, consideration was given to the interquartile average and the arithmetic average of the percentages reported for each item by the separate companies. The percentages for the chains are true median figures with no adjustment.

³ For chains, total store salaries and wages.

⁴ The chain store executives embraced in these classifications perform a substantially larger number of functions than those performed by department store executives of the two classifications listed.

The Executive Group Defined

What constitutes the executive group? No one narrow definition applicable to all companies exists. The scope of the work assigned to an executive in one company may not correspond closely to the activities for which a similarly named officer in another company is responsible. Functions naturally vary somewhat with the aptitudes of the man and of his associates in the company. Again, in one company there may be more men classed as executives than in another firm of like size and type. Nevertheless, some definition of the term, executive, no matter how arbitrary, is necessary as a preliminary step in undertaking a study of executive compensation.

Since the compensation data for the first five years covered by the study were secured from re-

ports received from individual companies by the Federal Trade Commission, it will be well to inquire first into the nature of the material thus made available. The Federal Trade Commission, in assembling data, requested companies to submit information on "salaries and all compensation, direct or indirect, including that from subsidiary and affiliated companies, paid to executive officers and directors for each year 1928-1932, inclusive, and also the rate of salary as of September 1, 1933".¹ A survey of the reports filed² indicates that the compensation figures submitted to the Federal Trade Commission are for the senior or top men ordinarily described as officers. Except when otherwise indicated in the bulletin, therefore, the executive group is limited to officers, or those men who devise and direct general corporation policies. A characteristic list of executive positions would include the following: chairman of the board, president, vice president, treasurer, store manager (in the case of department store companies), controller, and certain directors.

The compensation material available for the years 1934 and 1935 from the Securities and Exchange Commission³ covers a somewhat larger group of executives; in many instances, adjustment of the figures available for those years has been necessary in order to establish a series of comparable data for the entire period under review.

Executive Compensation Defined

The term, compensation, as used in this bulletin, is applied to the total dollar payments made to executives. For each executive, this compensation figure includes the regular salary, that is, the specified amount to be paid in cash per year, any additional cash bonus, and any director fees.⁴ No consideration is given to other types of deferred payment, such as warrants or options to purchase stock in the company. Such additional remunera-

¹ Federal Trade Commission, *Report of the Federal Trade Commission on Compensation of Officers and Directors of Certain Corporations*, p. 4. (Washington, mimeographed, 1934.)

² See Appendix, Exhibit 1, p. 33, for a facsimile of a report submitted in 1929 to the Federal Trade Commission by a retail company.

³ See Appendix, Exhibit 2, for a reproduction of the salary schedule used in Form 10K of the Securities and Exchange Commission.

⁴ In a few instances, companies have paid one or more of their officers no specified salary, the entire compensation being based on the operating results shown. One company had agreements to pay all but four of its executives on a percentage of earnings basis. Since these payments are flexible rather than fixed, they have been treated as bonus payments, unless otherwise noted.

tion was offered by some of the retail firms, particularly the chain store organizations.

Where the word, salary, is used without qualification, it refers to the regular salary as just described and does not include any additional compensation.

Earnings Defined

In order that executive compensation figures may be studied in relation to earnings, which constitute a rough measure of executive achievement, annual earnings figures for the 38 retail companies have been tabulated. Material available from published sources, in addition to figures obtained from the Federal Trade Commission and the Securities and Exchange Commission, made it possible to establish the amounts of earnings prior to executive compensation and interest.¹

The exclusion of interest payments from expense in arriving at the earnings figure was prompted by the need for comparability among companies. Some firms operate to a large extent on borrowed capital, with consequent interest commitments, while others operate entirely on owned capital against which no interest charges are recorded in the published statements.

The purpose in setting up earnings figures prior to executive compensation was twofold: First, by this procedure, a means of relating remuneration

of officers to their achievement as measured by company income was secured; second, a basis for the comparison of the shares of income going to executives and to stockholders, respectively, was established.

Earnings as defined for this study, then, consist of net income after all charges including Federal taxes and depreciation but *prior* to executive compensation and interest expense.²

It is recognized that earnings as herein defined varies from the generally accepted item of net business income or net gain out of which dividends are paid. An application of the earnings definition to the figures of an individual firm, Wm. Filene's Sons Co., for 1929 as presented below may serve to clarify the term and at the same time to emphasize the substantial difference between earnings as used in this study and net business income:

Balance available for dividends (after taxes, depreciation, bond interest, etc.)		\$2,234,981
Add: Total executive compensation	\$715,600	
Interest	92,600	808,290
Net earnings before compensation and interest		\$3,043,271

The last item constitutes earnings as used in this study.

COMPENSATION METHODS AND FIGURES

Since the material used in this study was limited to statistics for publicly owned department store and chain corporations,³ no very small concerns were included in the group of 38 companies examined. There was a wide range, however, between the annual sales figures for the smallest and the largest of the companies considered. Table 2 shows the distribution of the companies by size (sales volume) in 1929.

¹ Including interest on bonds, mortgages, and other long-term debts; and, in some instances perhaps, other interest paid. Where companies incurred expense for minority interest or dividends on preferred stock of subsidiary companies, such expense has been considered as interest.

² The decision to consider earnings after, rather than before, depreciation rested on the interrelationship of maintenance expense and depreciation charges. Differing policies among the concerns studied suggested that earnings figures for the various firms would be more nearly comparable if depreciation as well as maintenance was included as expense.

The median⁴ average sales volume per company for the entire group of chains was \$41,000,000 in 1929. The corresponding average for the department store group was \$28,000,000, being notably (approximately one-third) lower than the chain store group average of \$47,000,000. The difference

³ The classification of a company in either the chain or the department store group was based not on the number of stores operated, but rather on the type of organization. Several companies included in the department store category, among them the one having the largest sales in the group, operated more than one store.

⁴ The median, an average frequently used in this study, is determined by arranging a series of figures according to their magnitude. The mid-figure in this series, or the average of the two middle figures, if there is an even number of items, constitutes the median. This average, in which the figures of all the firms are given equal weight, is considered more representative than an arithmetic average, which may be distorted by a few extremely low or high figures.

Table 2. Classification of 38 Retail Companies According to Volume of Sales¹: 1929

Volume of Sales ¹ (Millions)	Number of Companies		
	Department Store Companies	Chain Store Companies	Total
Less than \$20	5	3	8
\$20 to \$40	4	7	11
40 to 60	2	2	4
60 to 80	0	2	2
80 to 100	0	1	1
100 to 120	1	1	2
120 to 140	2	0	2
140 to 160	0	1	1
160 to 180	1	0	1
180 to 200	0	0	0
200 or more	0	6	6
All Companies.....	15	23	38
Average Sales per Company (median).....	\$28	\$47	\$41

¹ For two department store organizations and one chain company exact sales figures were not available. Estimates for 1929, based on the figures reported by these three companies for other years, have been used in preparing this table.

in size between department store companies and chains is even more apparent in the distribution of the several concerns by volume groups. Six chain store companies had annual sales exceeding \$200,000,000 in 1929, while only one company in the department store group had sales approaching this figure, the sales for this firm being between \$160,000,000 and \$180,000,000.

Fluctuations in Sales 1928-1935

Retail dollar sales volumes varied substantially over the period 1928 to 1935. The extent of the change is of considerable interest in connection with the study of differences in dollar compensation of executives during these same years. Table 3 presents typical sales figures for each year for the 13 department store companies and 19 chains, together with relatives prepared from these sales figures.

It is clear from these statistics that the chains maintained their sales volumes at relatively higher levels during the depression than did the department store companies. Department store sales in 1931 were 17% below corresponding sales in 1929 while chain sales were 11% above the 1929 average. By 1932 and 1933, department store sales were 31% below 1929 and chain sales were but 4% or 5% below. The explanation of the superior record of the chains lies partly in the fact that, through the early years of the depression, many of the chains

continued the expansion policy which had been characteristic of the years prior to 1929. By opening new stores in 1930 and 1931, they secured aggregate sales which varied little from the sales achieved in earlier years through a smaller number of units.¹ Department stores, on the other hand, added relatively few units, with the result that the decline in total sales from 1929 to 1933 was much more pronounced than that for chains. Relatives based on sales per unit for the chains would have disclosed fluctuations somewhat similar to the fluctuation in department store sales.

Table 3. Average Sales per Company for 13 Department Store Companies and 19 Chains¹: 1928-1935

Year	Average Sales Per Department Store Company		Average Sales Per Chain	
	Millions of Dollars (Median)	Relatives (1929 median figure = 100)	Millions of Dollars (Median)	Relatives (1929 median figure = 100)
1928	\$27.1	98	\$65.1	95
1929	27.7	100	68.5	100
1930	26.7	96	71.4	104
1931	22.9	83	75.7	111
1932	19.2	69	65.7	96
1933	19.2	69	65.0	95
1934	20.2	73	75.7	111
1935	21.0	76	78.5	115

¹ Two department store companies and four of the smaller chains did not report sales data for all of the eight years. Figures for these six companies have therefore been omitted in preparing this table.

Executive Compensation and Sales

The year-to-year changes in sales volume are reflected to some extent in the changes in the annual percentages of executive compensation to sales. In interpreting the compensation percentages presented in Table 4 for chains and department stores during the years 1928-1935, it will be well to refer to the sales relatives given in Table 3. Obviously if dollar sales decrease and dollar payments to executives are unchanged, the percentages of compensation to sales will rise. Conversely, the degree to which executive compensation payments are adjusted to sales will be reflected in the degree of stability found in the percentage figures over the span of years studied.

¹ Harvard Business School, Bureau of Business Research Bulletin No. 103, *Expenses and Profits of Limited Price Variety Chains in 1935*, by Stanley F. Teele, p. 9; Bulletin No. 101, *Operating Results of Department Store Chains and Department Store Ownership Groups in 1929, 1931-1934*, by Stanley F. Teele, p. 9; Bulletin No. 99, *Expenses and Profits of Food Chains in 1934*, by Carl N. Schmalz, p. 35.

In column 2 of Table 4 are given median percentages for executive compensation in chain companies. It will be noted that the typical figures dropped from 0.5% of sales in 1928 to 0.3% in 1930 and then remained uniform from 1930-1935. The decline in the percentage figures in the early years accompanied a rise in chain sales volume. After 1930 compensation apparently was closely controlled with reference to the sales volumes realized.

The percentage figures for total compensation of department store executives given in the fourth column of the table were constant at 0.8% of sales for the years 1928-1930 when sales volumes for these department stores were steady. With the fall in sales typical in 1931, however, the median percentage rose by 0.2% of sales. Again in 1932, with sales further diminished, the percentage increased. Improvement in sales in 1934 and 1935 was reflected in somewhat lower percentages. Evidently the department stores experienced difficulty in adjusting executive compensation to extreme changes in sales income.

The noticeably low level of compensation percentages for chains as compared with department store companies derives, in part, from the larger sales volumes typical of the chains.

It is realized that the sample of 15 department stores and 23 chains used in this study is small in size and that the validity of conclusions based on the data may be subject to some question. The 38 companies, however, constitute practically all the retail firms listed on the New York Stock Exchange for which comparable data are available from the Federal Trade Commission and the Securities and Exchange Commission. In order to check the representative character of the group, whenever possible, the figures for these firms were compared with material submitted by retail companies reporting to the Harvard Bureau of Business Research. Annual reports for 22 of these department store firms with sales of \$10,000,000 or more in 1929, including six of the 15 used in this analysis, were consulted and material was prepared which corresponded closely with the data available for the 15 companies.

In the second section of Table 4, columns 5 to 8, inclusive, median figures for executive compensation¹ in relation to net sales are presented for two groups

¹ Executive compensation, as defined by the Bureau, covers the salaries of president, vice president, secretary, treasurer, and general manager, a somewhat different group from that covered by the definitions of the Federal Trade Commission and the Securities and Exchange Commission.

Table 4. Executive Compensation as a Percentage of Sales in Retail and Industrial Companies: 1928-1935

(Median Figures; Sales = 100%)

Year	Retail Companies ¹ Reporting to the Federal Trade Commission and to the Securities and Exchange Commission				Department Stores Reporting to the Harvard Bureau of Business Research				Industrial Companies ² Reporting to the Federal Trade Commission and to the Securities and Exchange Commission			
	Chain Store Companies		Department Store Companies		Sales Volume 1929 \$10,000,000 to \$20,000,000		Sales Volume 1929 \$20,000,000 or more		Small Companies ³		Large Companies ³	
	Number of Companies ⁴	Executive Compensation	Number of Companies ⁴	Executive Compensation	Number of Companies ⁴	Executive Compensation	Number of Companies	Executive Compensation	Number of Companies ⁴	Executive Compensation	Number of Companies ⁴	Executive Compensation
1928	(1) 22	(2) 0.5%	(3) 13	(4) 0.8%	(5) *	(6) *	(7) *	(8) *	(9) 24	(10) 0.9%	(11) 24	(12) 0.5%
1929	22	0.4	13	0.8	13	0.9%	9	0.7%	23	0.9	25	0.6
1930	22	0.3	13	0.8	13	0.8	9	0.8	24	1.1	24	0.6
1931	23	0.3	13	1.0	13	1.0	9	0.8	22	1.3	24	0.6
1932	22	0.3	13	1.2	13	0.9	9	1.1	24	1.3	24	1.0
1933	*	*	*	*	13	1.0	9	1.0	*	*	*	*
1934	21	0.3	14	1.1	13	0.8	9	0.8	9	1.3	9	0.6
1935	18	0.3	14	1.1	12	0.9	9	0.8	5	1.2	9	0.4

re available in the sample of 38 companies used in the study.

re available in a sample of 100 industrial companies.

ified according to net assets in 1929. Those having less than the median assets figure of sales, while those with net assets in excess of the median figure were grouped as large companies.

re number of companies used resulted from the lack either of sales or of executive compensation

of these department stores reporting to the Bureau, those with sales of \$10,000,000 to \$20,000,000 in 1929, and those with sales of \$20,000,000 or more in 1929. The range of the median percentages for these two sets of department stores is much the same, the figures varying from about 0.7% to 1.1% of net sales. In general, the largest percentage expense occurred in 1931, 1932, or 1933, when sales volumes were relatively low. The figures are slightly lower than those for the department store companies reporting to the Federal Trade Commission and the Securities and Exchange Commission partly because of differences in the manner of classifying the compensation paid. The compensation of the controller and directors, for instance, is not included in executive compensation figures in the Harvard Bureau studies. The differences, however, are not great and the findings for the firms reporting to the Harvard Bureau serve to substantiate the figures based on the reports of the department stores used in this study.

In addition to the percentages presented for retail companies, executive compensation percentages for industrial companies are included for comparison in Table 4. The industrial firms considered were drawn from a sample group of 100 companies used in an earlier study of executive compensation.¹ Percentages for as many of these 100 firms as published annual sales figures were used in preparing the medians presented in columns 10 and 12 for small and large industrial firms. The typical figures for both size groups show increases during the period 1928-1932. The figures for the smaller industrial concerns correspond fairly closely with those typical of the department stores, while the figures for the large industrial firms are lower than those for the department stores but higher than those for the chains.

As noted above, changes in sales volume explain in part the variations in compensation percentages over the period. Other factors, however, some of them also dependent on the reduction in sales during the depression, may have had an opposite influence on the course of the percentage figures. In some instances, retrenchment in the face of diminishing sales income may have called for a reduction in the number of executives employed; in other instances, dollar payments to executives may have been reduced either by the automatic functioning of bonus plans or by straight salary cuts.

¹ Baker, John C., and Crum, William L., "Compensation of Corporation Executives—The 1928-1932 Record", *Harvard Business Review*, Spring, 1935, p. 322.

Trends in Executive Employment

From a review of the data submitted by the 38 retail companies to the Federal Trade Commission and the Securities and Exchange Commission, it was clear that the number of executives reported varied among companies. As few as three executives and as many as thirty were listed in individual company statements, the number varying roughly with the size of the company.

A check on the number of officers reported in successive years by single companies disclosed some year-to-year variations in the number of executives per company. Except in a few instances, however, the differences were not great. Table 5 has been prepared to show for each year the distribution of companies according to the number of executives employed. Both the actual number of companies, and the proportion of the total number of companies, having fewer than six, six, seven, eight, nine, ten, and more than ten officers are given. For the years 1933, 1934, and 1935 figures were not available for all 38 companies. It is believed, nevertheless, that the proportionate distribution of the firms is fairly representative during this period.

Throughout the years studied, from 50.0% to 63.6% of the companies had six, seven, eight, nine, or ten officers each, while the median number for the entire group of companies varied between seven and eight officers. With the exception of the year 1932, from 20.0% to 24.3% of the firms employed fewer than six executives. In 1932, the worst year of the depression, this percentage increased to 31.6%. Similarly in 1932 and 1933 the proportions of firms having more than ten officers each dropped to 15.7% and 12.1%, respectively. In earlier years, the percentage of companies so staffed had varied from 18.4% to 28.9%. Evidently, at the lowest point of the depression, retail firms were economizing by direct elimination of executives or by not replacing executives when vacancies occurred in the ranks. This point is further substantiated by the figures summarized below from Table 5, together with

Aggregate Number of Executives Employed
by 38 Retail Companies

Year	Actual
1928	
1929	
1930	
1931	
1932	

relatives based on them. It appears from these data that the total number of executives was increased in 1929, maintained at a fairly uniform level through 1930, then cut in 1931 and again in 1932. Comparing 1932 with 1929, it is seen that there was a decline of 23 men in the official ranks of the 38 retail companies, on the average less than one man per company. This drop amounted to about 7% of the total number of executives listed for 1929. In studying changes in the total compensation of executives over the period, then, allowance should be made for the fact that, in general, fewer officers were employed from 1931-1933 than in the years 1929 and 1930.

It should be realized that changes in the identity of the executive body are not considered in Table 5. As a check on the stability of the group, the names of all officers and directors receiving fees or salaries of more than \$1,000 in 1929 were compared with those similarly listed in 1932. About two-thirds of these executives and directors were listed in both years. No attempt was made to check any shifts of officers among the companies, if such occurred during the period; nor was any study made of changes in rank for any of the men other than those listed as presidents in 1929.

Tenure of office was considered, however, in the case of company presidents. Examination of the identity of the presidents in 1929 and 1932 was made for the 37 companies reporting details on

official ranking. This showed that in these 37 companies 9 men left their positions as presidents. Five of these men were promoted to the position of chairman of the board, one became a director, and three dropped out for other reasons. Looking at this question from another angle, 28 of the 37 presidents of 1929 retained their positions from 1929 through 1932. If the period 1929 through 1935 be reviewed, it is found that for the 32 companies giving the information, 16 presidents retained their rank.

Changes in Executive Compensation

The preceding sections have pointed out that the percentages of total retail executive compensation to sales varied from year to year, rising during the depression. Several contributing factors have been noted in connection with this finding: the effect on the percentages of the decline in the basic sales figures; the possibility of change in total dollar compensation arising from changes in the number of officers employed; and the possible actual reduction of dollar compensation through the functioning of bonus plans or through straight salary cuts during the depression.

Since the rising percentage expenditure during 1931 and 1932 did not show clearly what was actually happening to executive payments, it was decided to study the dollar executive compensation figures by themselves, not relating them to a second

Table 5. Distribution of Retail Companies According to Number of Executives per Company: 1928-1935

Number of Executives Per Firm	Number and Percentage of Reporting Firms															
	1928		1929		1930		1931		1932		1933		1934		1935	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Fewer than 6	8	21.1	9	23.7	8	21.1	8	21.0	12	31.6	8	24.3	8	22.2	6	20.0
6	5	13.2	1	2.6	4	10.5	5	13.2	3	7.9	7	21.2	4	11.1	7	23.3
7	8†	21.0	4	10.5	5	13.2	5	13.2	5	13.2	4	12.1	4	11.1	4	13.3
8	4	10.5	9	23.7	4	10.5	4	10.5	3	7.9	4	12.1	6	16.7	2	6.7
9	3	7.9	4	10.5	3	7.9	1	2.6	5	13.2	2	6.1	3	8.3	2	6.7
10	3	7.9	2	5.3	3	7.9	6	15.8	4	10.5	4	12.1	4	11.1	2	6.7
More than 10	7	18.4	9	23.7	11	28.9	9	23.7	6	15.7	4	12.1	7	19.5	7	23.3
Total Number of Firms	38	100.0	38	100.0	38	100.0	38	100.0	38	100.0	33	100.0	36	100.0	30	100.0
Total Number of Officers	313	....	336	....	337	....	326	....	313	....	248	....	290	....	252	....
Median Number of Officers Per Firm	7	....	8	....	8	....	8	....	7	....	7	....	8	....	7	....

† Includes estimated figures for two firms.

variable. Accordingly, for each retail company the total amounts paid yearly to all officers listed were compared with the total amount paid by the firm to officers in 1929, and relatives showing the change in dollar compensation were established for each company. These relatives were tabulated for all 38 retail companies, and for the chain and department store companies separately. Medians of these relatives are given in Table 6. Like Table 4, this table includes supporting figures for the group of 22 large department stores reporting to the Harvard Bureau.

In recognition of the fact that year-to-year changes in the number of officers employed might influence the total compensation figures, similar index numbers were prepared, based on the total payments made by each company to the three highest paid officers only. These data are given in parallel columns in the table.

The executive compensation figures available from the Federal Trade Commission for the year 1933, in many cases, cover but nine months. Hence

it was not possible to establish index figures for that year for the 38 retail companies used in this report. Fortunately, however, the 1933 figures were available for the 22 department stores reporting to the Bureau of Business Research, and the data for these firms indicate the probable course of the index number for the 15 department stores reporting to the Securities and Exchange Commission.

For the 38 companies as a whole, the total compensation of executives fell from 100 in 1929 to 82 in 1932; the corresponding figure for the three highest paid executives in the latter year was 86. Reductions in dollar compensation during the period evidently were more substantial for chains than for department store companies. In the case of the chains, total compensation dropped to 72 in 1932, while for department store companies the index dropped to but 88. On the other hand, there is strong indication from the data available for the 22 department stores for 1933 that department stores reduced their payments to executives drastically in that year, and in 1934 and 1935 the level of

Table 6. Compensation of All Executives, and of the Three Highest Paid Executives, in Each Retail Company: 1928-1935
(Index Numbers; 1929 = 100)

Year	38 Retail Companies Reporting to Federal Trade Commission and Securities and Exchange Commission						22 Department Store Companies ¹ Reporting to Bureau of Business Research
	All Companies		23 Chain Store Companies		15 Department Store Companies		Total Compensation
	Total Compensation		Total Compensation		Total Compensation		
	All Executives	Three Highest Paid Executives	All Executives	Three Highest Paid Executives	All Executives	Three Highest Paid Executives	All Executives
1928	98	100	98	101	100	100	*
1929	100	100	100	100	100	100	100
1930	97†	100	98†	96	96	100	97
1931	94	91	93	85	96	99	94
1932	82	86	72	78	88	89	93
1933	*	*	*	*	*	*	68
1934	84‡	80‡	89	76	82‡	80‡	75
1935	88§	85#	90§	85#	83§	89	77

* Data not available.

† For the year 1930, compensation data for one chain were not available. An estimated figure for this firm has been included in arriving at the medians presented.

‡ For the year 1934, compensation data for two chains and one department store company were not available. An estimated figure for the department store company has been included in arriving at the medians presented. It was not feasible to estimate the figure for either of the chains.

An estimated figure for one of the six chains for which data were not available has been included in arriving at the median figures for 1935.

§ For the year 1935, compensation data for four chains and one department store company were not available. It was not feasible to estimate figures for these firms; consequently, the median figures are based on data for 33 firms, 19 of which were chains and 14 department store companies.

¹ Firms which reported sales of \$10,000,000 or more each in 1929.

department store executive payments as compared with 1929 was below that of chains.

In using the total compensation data for the 38 retail companies for 1934 and 1935, it must be kept in mind that the figures for the individual firms were in many instances estimates. As pointed out earlier in the report, the Securities and Exchange Commission, in assembling material for those years, used a somewhat broader definition of the executive group than did the Federal Trade Commission in gathering figures for the earlier years. It was necessary, therefore, to adjust the information obtained for 1934 and 1935 to make it more nearly comparable with that available for the years 1928-1932. The index numbers showing the change in total compensation of the three highest paid executives, however, are based on actual figures, and consequently are more reliable.

The data regarding the compensation of all executives, and of the three highest paid executives, move together for the most part. This serves to show, in the first place, that changes in the number of officers employed had but a minor effect on the total compensation figures; and, in the second place, that the estimated figures for total compensation for 1934 and 1935 were not far out of line. One exception should be noted here. The total compensation for all executives in chains rose in 1934 and 1935 as compared with 1932, while the index for the three highest paid officers was lower in 1934 and returned to the 1931 level in 1935. Apparently the rise in the index of total executive payments in the last two years was accompanied by an increase in the number of men considered as officers in those years.

Trends in Executive Compensation and General Pay Roll Compared

Sometimes the question is raised as to whether executives suffered as much from salary reductions during the depression as did employees. It is practically impossible to answer this question fairly. It is probable that the number of executives employed was held at a more stable level than was the number of employees. In so far as dollar pay roll was concerned, there is some evidence that by 1933 executive pay roll in department stores, at least, had been reduced nearly as much relatively as total store pay roll. In Table 7 are repeated the index numbers of total executive compensation for the 15 department store companies used in this study and for the 22 department store companies reporting to the Harvard Bureau. In addition, there are given index

numbers prepared by the Bureau for the change in total pay roll expense for a larger group of department stores which had sales of \$2,000,000 or more in 1930. A parallel column shows corresponding figures prepared by the Bureau of Labor Statistics for general merchandise firms. These data are included here because they cover a more comprehensive group of retail firms than do the Bureau figures. The remarkable uniformity of the two series suggests that the picture given of change in total pay roll is a reliable one.

It is apparent that reductions were made in total pay roll in 1931 and 1932 which do not seem to be duplicated in the case of the executive compensation figures available. By 1933, however, drastic cuts evidently had been made in payments to executives and for the years 1933, 1934, and 1935 the indices of executive pay roll and of total pay roll are closely similar.

Table 7. Executive Compensation and Total Pay Roll for Department Store and Other Retail Companies: 1928-1935
(Index Numbers: 1929 = 100)

Year	Total Executive Compensation		Total Pay Roll	
	15 Publicly Owned Department Store Companies ¹	22 Department Stores ² with Sales of \$10,000,000 or more in 1929	74 Department Stores with Sales of \$2,000,000 or more in 1930 ³	Retail Trade General Merchandising ⁴
1928	100.0	*	*	*
1929	100.0	100.0	100.0	100.0
1930	96.0	97.0	96.0	93.3
1931	96.0	94.0	87.8	87.4
1932	88.0	93.0	70.8	69.5
1933	*	68.0	66.8	65.4
1934	82.0	75.0	73.0	75.1
1935	83.0	77.0	78.2	78.0

* Data not available.

¹ Companies reporting to the Federal Trade Commission and to the Securities and Exchange Commission. Medians of relatives for the individual companies.

² Firms reporting to the Harvard Bureau of Business Research. Medians of relatives for the individual companies.

³ Common figures of relatives for the individual companies reporting to the Harvard Bureau of Business Research. The term, common figure, as used by the Bureau denotes a representative figure which has been selected as typical of a series of data after consideration of the median, the interquartile average, and the arithmetic average of the relatives for the individual companies. These common figures are based on data presented by the Harvard Business School, Bureau of Business Research, Bulletin No. 100, *Operating Results of Department and Specialty Stores in 1935*, by Carl N. Schmalz, page 9. These figures, originally published with 1930 as a base year, have been projected back into 1929 on the basis of the reports of 63 of the 74 firms reporting for 1934.

⁴ Source: U. S. Bureau of Labor Statistics, *Monthly Labor Review*, Trend of Employment.

Executives Bonus Plan Used by Many Companies

The degree to which bonus payments were made to officers of the 37 retail companies during the years 1928-1932 may be seen from the figures presented in Tables 8 and 9. Corresponding data for 100 industrial companies are given for comparison. Both tables record by years the number of executives receiving, and of companies paying their officers salary plus bonus. In addition, the total number of executives employed by the companies yearly is given for reference. In the first of the two tables, percentage figures indicate for each year the proportion of the total number of officers receiving, and of the total number of companies paying, salary plus bonus. In the second table, relatives based on 1929 as 100 are given for each series of data.

Turning to Table 8, it is seen that 43.7%, or more than two-fifths of the 286 retail executives received extra compensation over and above their salaries. This percentage dropped continually through the following years until in 1932 it was but 23.2%. Meanwhile the proportion of the retail companies paying bonuses dropped from 59.5%, or more than one-half the companies, in 1928 to 40.6% in 1932. Comparison of the levels of these two sets of percentages suggests either that the companies giving bonuses were also those employing but few officers,

or that bonuses were not awarded as a rule to all executives in a company. Examination of the data for the individual firms shows that companies of all sizes used bonus plans. In most instances, however, such bonuses were limited to only a part of the officers listed by the company.

The figures for the number of industrial companies paying bonuses and of officers receiving such additional remuneration, reveal that the use of incentive compensation plans was more common in the industrial than in the retail group in 1928 and 1929.

The proportion of industrial officers receiving bonuses, however, dropped to less than 10% in 1932, with only 26% of the companies paying these bonuses.

The relatives in Table 9 facilitate comparison of the changes in the number of firms awarding bonus payments in addition to salary, and in the number of men receiving such payments, over the five-year period, 1928-1932. Although the number of retail executives employed declined from 100 in 1929 to 93 in 1932 (relatives), the number of executives receiving a bonus over and above salary fell from 100 in 1929 to 57 in 1932. This decrease, while considerable, was not nearly so pronounced as in the case of industrial executives. The number of in-

Table 8. Changes in Percentage of Executives Receiving Both Salary and Bonus and Percentage of Companies Paying Bonuses: 1928-1932
(37 Retail¹ and 100 Industrial Companies)

Year	Retail Executives			Industrial Executives			Retail Companies ¹			Industrial Companies		
	Total Number	Receiving Salary and Bonus ²		Total Number	Receiving Salary and Bonus ²		Total Number	Paying Salary and Bonus ²		Total Number	Paying Salary and Bonus ²	
		Number	Percentage of Total		Number	Percentage of Total		Number	Percentage of Total		Number	Percentage of Total
1928	286†	125†	43.7%	941	442	47.0%	37‡	22	59.5%	100	64	64.0%
1929	306	116	37.9	996	503	50.5	37	22	59.5	100	62	62.0
1930	307	109	35.5	995	467	46.9	37	21	56.8	100	56	56.0
1931	299	82	27.4	1008	300	29.8	37	18	48.6	100	42	42.0
1932	285	66	23.2	986	95	9.6	37	15	40.6	100	26	26.0

† Includes estimated figures for two companies.

‡ For three companies of the thirty-seven, reports on bonus policies were not available for the year 1928. Since all three companies reported no bonus payments to executives in the four following years, it has been assumed that they paid no bonuses in 1928.

¹ One chain, employing between 27 and 30 executives during the five-year period, paid salaries only to four of the officers; to the remaining executives the chain paid no specified salaries but compensation based on a certain percentage of the net earnings of the company. In order to trace changes in the number of companies paying and the number of executives receiving bonuses in addition to a stipulated base salary, this company has been omitted from the comparison.

² The bonus figures have been drawn from the material filed with the Federal Trade Commission for "Other Compensation Paid During Year". (See Appendix, Exhibit 1, page 33.) In order to exclude, in so far as possible, directors' fees which were reported in this category, only those additional payments in excess of \$1,000 have been considered as bonuses in arriving at the statistics presented in this table.

dustrial officers to receive a bonus stood at 19 in 1932 as compared with 100 in 1929.

The change in the number of retail companies paying a salary plus bonus to one or more of their officers was not so great as the change in the total number of executives receiving such additional compensation. Apparently, during the depression, some of the concerns reduced the number of officers receiving both salary and bonus, or some, employing relatively large numbers of executives, discontinued entirely the payment of bonuses. It is not possible to tell from the data available whether the decline in bonus payments reflects changes in the methods used by the separate companies in paying their officers or whether it registers the automatic reduction or elimination of bonus payments developing from decreases in sales and earnings. Both situations may have existed among the companies studied.

The Relation of Bonus Payments to Total Executive Compensation

For the period 1928-1932, it was possible to determine for each of the 38 companies the proportion of bonus payments¹ to total executive compensation. The figures in 1928 ranged from an extreme of 0.0% for firms paying salaries only to over 80.0% for firms using incentive compensation

¹ Cash compensation other than salary or nominal directors' fees. See discussion on page 2.

plans extensively. The median figure in 1928 for all the retail companies was 14.4%. The typical percentage of bonus or incentive compensation payments to total compensation decreased steadily from 1928 to 1932, when 21 of the 38 companies paid no bonuses, the median becoming 0.0%.

This sharp decline in the proportion of bonus to total payments suggested that a study of the relationship of salaries² to bonus payments and to total compensation might prove to be revealing. Consequently, index numbers of salary and total compensation are presented in Table 10 for all companies; for chains as contrasted with department stores; and for companies paying substantial bonuses in 1929 as compared with firms paying relatively little or nothing as bonuses in that year. For the bonus companies an additional index is presented for the change in bonus payments over the period.

From the figures in the table, some of which are reproduced in Charts 1 and 2, the following conclusions may be drawn:

1. Bonus payments in the early years were substantial for chains, amounting typically to 29.9% and 20.1% of the total executive compensation in 1928 and 1929, respectively. Corresponding figures for department stores were 10.4% and 4.1%. Thus,

² As noted on page 2, salary is the stated cash compensation which a company contracts to pay regularly to the individual employee.

Table 9. Changes in Numbers of Executives Receiving Both Salary and Bonus, and in Number of Companies Paying Bonuses: 1928-1932

(37¹ Retail and 100 Industrial Companies; for relatives, 1929 = 100)

Year	Retail Executives				Industrial Executives				Number of Companies Paying Salary and Bonus ¹			
	Total Number		Number Receiving Salary and Bonus ¹		Total Number		Number Receiving Salary and Bonus ¹		Retail		Industrial	
	Actual	Relatives	Actual	Relatives	Actual	Relatives	Actual	Relatives	Actual	Relatives	Actual	Relatives
1928	286†	93	125	108	941	95	442	88	22	100	64	103
1929	306	100	116	100	996	100	503	100	22	100	62	100
1930	307	100	109	94	995	100	407	93	21	95	56	90
1931	299	98	82	71	1008	101	300	60	18	82	42	68
1932	285	93	66	57	986	99	95	19	15	68	26	42

† Includes estimated figures for two companies.

¹ One chain, employing between 27 and 30 executives during the five-year period, paid salaries only to four of the officers; to the remaining executives the chain paid no specified salaries but compensation based on a certain percentage of the net earnings of the company. In order to trace changes in the number of companies paying and the number of executives receiving bonuses in addition to a stipulated base salary, this company has been omitted from the comparison.

² The bonus figures have been drawn from the material filed with the Federal Trade Commission for "Other Compensation Paid During Year". (See Appendix, Exhibit 1, page 33.) In order to exclude, in so far as possible, directors' fees which were reported in this category, only those additional payments in excess of \$1,000 have been considered as bonuses in arriving at the statistics presented in this table.

variations in compensation figures for chains as distinct from department stores reflect to some degree the variations in bonus policies characteristic of these organizations.

2. No matter what the classification of the firms, the index numbers for salaries are remarkably similar. Salaries rose slightly from 1928 to 1930 or 1931 but from then on a drop occurred, being most pronounced in 1932.

3. Total compensation, except in the case of non-bonus companies, decreased continually between 1929 and 1932, the largest drop taking place in 1932, the year in which salaries were drastically reduced.

For all companies the total decrease from 1929 to 1932 typically amounted to 18%; for chains, 28%; and for department stores, 12%.

4. Companies with substantial bonuses in 1929 cut their total compensation more than 50% by 1932, having reduced their bonuses more than 75%. Companies paying little or no bonus money in 1929 reduced their total compensation only 11.0% by 1932. It should not be inferred, however, that a bonus plan operates chiefly to reduce the incomes of executives in times of low profits below what they otherwise would be. Perhaps the chief influence, conversely, is to raise the incomes of executives in

Table 10. Changes in Salaries and Total Executive Compensation for 38 Retail Companies: 1928-1935

(The percentages given are medians of percentages for individual firms; the index numbers are medians of relatives for the individual firms, 1929 = 100)

Items	1928	1929	1930	1931	1932	1933	1934	1935
All 38 Companies:								
Bonus Payments (% of Total Compensation)	14.4%	9.9%	7.4%	1.1%	0.0%	*	*	*
Index Numbers:								
Total Compensation	98.0	100.0	97.0	94.0	82.0	*	84.0	88.0
Salary	97.6	100.0	100.2	101.7	92.2	*	*	*
23 Chains:								
Bonus Payments (% of Total Compensation)	29.9%	20.1%	11.6%	8.6%	3.6%	*	*	*
Index Numbers:								
Total Compensation	98.0	100.0	98.0	93.0	72.0	*	89.0	90.0
Salary	96.5	100.0	102.6	100.5	88.8	*	*	*
15 Department Stores:								
Bonus Payments (% of Total Compensation)	10.4%	4.1%	0.0%	0.0%	0.0%	*	*	*
Index Numbers:								
Total Compensation	100.0	100.0	96.0	96.0	88.0	*	82.0	83.0
Salary	99.8	100.0	100.2	105.5	92.7	*	*	*
15 Firms with bonus payments amounting to 25% or more of total compensation in 1929¹:								
Bonus Payments (% of Total Compensation)	53.4%	53.1%	52.9%	40.5%	23.1%	*	*	*
Index Numbers:								
Total Compensation	102.0	100.0	95.0	75.0	49.0	*	73.0	74.0
Salary	99.8	100.0	105.6	100.7	91.6	*	*	*
Bonus Payments	108.6	100.0	81.3	56.4	23.5	*	*	*
20 Firms¹ with bonus payments amounting to less than 15% of total compensation in 1929:								
Bonus Payments ² (% of Total Compensation)	0.0%	0.0%	0.0%	0.0%	0.0%	*	*	*
Index Numbers:								
Total Compensation	99.0	100.0	100.0	101.0	89.0	*	88.0	89.0
Salary	98.5	100.0	100.1	103.2	92.7	*	*	*

* Data not available. Material secured from the Securities and Exchange Commission covered but nine months of 1933. For 1934 and 1935 no figures were given for salaries and bonus payments.

¹ Three chains with bonus payments amounting to between 15% and 25% of their total executive compensation have been omitted from this section of the table.

² In interpreting the percentages for this item, it is to be remembered that the figures are medians. Of the companies included in this group, approximately two-thirds in 1928 and four-fifths in 1932 paid no bonuses at all. Thus the median for each year is 0.0%. For the six firms in the group paying bonuses in 1928 and 1929 median figures were as follows: 1928, 10.6%; 1929, 8.8%; 1930, 7.4%; 1931, 8.5%; 1932, 6.1%.

times of high profits, and hence to introduce a high degree of fluctuation but with a net gain, rather than a net loss, to the executives.

These findings correlate closely with those of comparable studies for industrial firms.¹

Compensation Practices of Individual Companies

Detailed figures of various kinds for the 38 separate companies are presented in Tables 11, 12, and 14. The information recorded in these tabulations constitutes much of the material from which the summary median figures have been derived. It is offered here for the benefit of those readers who may want to appraise individual firm operation or to classify and study the figures according to groupings different from those used by the author. There is value, also, in knowing within what limits the figures for various items vary. Throughout this analysis repeated use has been made of the median average. The student may wish to interpret these median figures in relation to the series of data from which they have been drawn.

In Table 11 are presented, for the years 1928 through 1935, the relatives for the compensation

¹ Baker, J. C. and Crum, W. L., "Compensation of Corporation Executives", *Harvard Business Review*, Spring, 1935, p. 321.

Chart 1. Executive Salaries, Bonus Payments, and Total Compensation for Retail Companies Paying Substantial Bonuses in 1929: 1928-1932

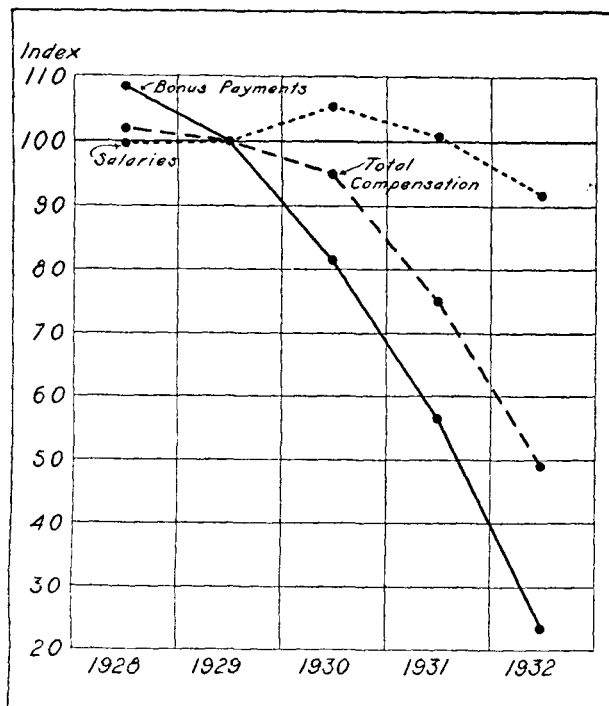
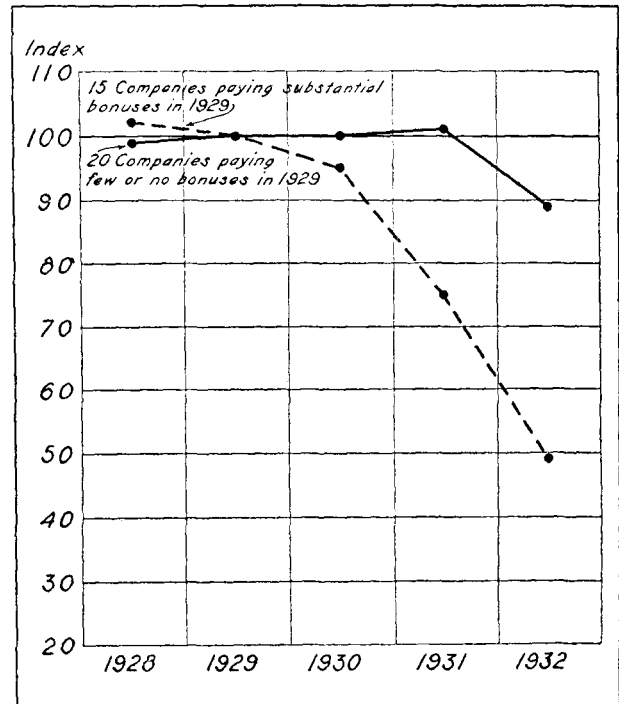


Chart 2. Total Executive Compensation of 35 Retail Companies: 1928-1932



of the three highest paid executives in each of the 38 retail firms. The firms are listed alphabetically in two general groups, department store and chain. Index numbers, determined for both groups and for the total number of companies, have already been introduced in Table 6.

Statistics given in Table 12 include executive compensation for 1929 expressed as percentages both of earnings² and of sales, earnings as a percentage of sales in 1929, the number of executives employed in 1929, and the relatives for total executive compensation over the period studied. The companies are listed according to the percentage of executive compensation to earnings in 1929.

Substantial changes would occur in the ranking of companies in Table 12 if the basis were the percentage of sales rather than of earnings going to executives. In ranking the 38 companies as indicated, there was no thought of making an invidious comparison between those companies paying their officers a high and those paying a low percentage of earnings. The differences in the percentages for the individual companies result, in part, from other factors than differences in dollar

² Earnings for purposes of this study is defined as net income after all charges including Federal taxes and depreciation but prior to executive compensation and interest. For a discussion of the item see page 3.

Table 11. Compensation of the Three Highest Paid Executives
in Each Retail Company: 1928-1935

Company	Compensation of the Three Highest Paid Men (Relatives; 1929 = 100)							
	1928	1929	1930	1931	1932	1933	1934	1935
Department Store Companies:								
Abraham & Straus, Inc.....	124	100	100	122	97	*	94	97
Arnold Constable Corporation.....	65	100	100	66	67	*	54	54
Associated Dry Goods Corporation.....	100	100	80	56	43	*	39	45
Best & Co., Inc.....	87	100	101	85	52	*	96	109
Bloomingdale Bros., Inc.....	97	100	124	120	109	*	122	139
The Fair.....	101	100	111	111	104	*	80	80
Wm. Filene's Sons Company.....	117	100	100	100	80	*	80	80
Franklin Simon & Co., Inc.....	108	100	92	87	87	*	56	56
Gimbel Brothers, Inc.....	98	100	105	104	81	*	88	121
Kaufman Department Stores, Inc.....	100	100	100	96	90	*	81	104
R. H. Macy & Co., Inc.....	100	100	100	99	92	*	67	*
Marshall Field & Company.....	100	100	129	162	130	*	130	144
The May Department Stores Company.....	99	100	66	53	38	*	67	66
Oppenheim, Collins & Co., Inc.....	*	100	92	83	61	*	*	40
The Outlet Company.....	153	100	126	126	118	*	101	102
Median Relatives for Department Store Group.....	100	100	100	99	89	*	80†	89
Chain Store Companies:								
Davega Stores Corporation.....	*	100	134	150	107	*	98	101
First National Stores, Inc.....	100	100	117	128	132	*	96	93
The Grand Union Co.....	56	100	104	132	125	*	102	102
W. T. Grant Company.....	97	100	61	60	44	*	69	83
Jewel Tea Co., Inc.....	81	100	109	74	58	*	69	80
G. R. Kinney Co., Inc.....	93	100	96	81	49	*	73	73
S. S. Kresge Company.....	101	100	93	53	31	*	49	*
S. H. Kress and Company.....	96	100	100	87	78	*	91	*
The Kroger Grocery & Baking Company.....	71	100	75	387	89	*	124	*
McCrary Stores Corp.....	120	100	116	231	254	*	*	*
McLellan Stores Company.....	86	100	77	85	93	*	68	86
Montgomery Ward & Co., Incorporated.....	105	100	73	42	28	*	26	26
National Tea Co.....	107	100	82	65	62	*	46	46
Neisner Brothers, Inc.....	97	100	99	99	98	*	99	123
J. J. Newberry Co.....	113	100	90	85	77	*	*	126
J. C. Penney Company.....	104	100	77	85	57	*	132	*
Peoples Drug Stores, Incorporated.....	140	100	102	103	95	*	99	110
Safeway Stores Incorporated.....	60	100	108	103	121	*	120	118
Schulte Retail Stores Corporation.....	101	100	43	41	41	*	39	44
Sears Roebuck and Co.....	205	100	96	70	37	*	41	39
Frank G. Shattuck Company.....	*	100	102	102	85	*	78	77
Walgreen Co.....	106	100	95	95	86	*	72	*
F. W. Woolworth Co.....	103	100	93	85	76	*	*	45
Median Relatives for Chain Store Group.....	101	100	96	85	78	*	76	85†
Median Relatives for Entire Group of Retail Companies.....	100	100	100	91	86	*	80†	85†
Number of Companies Reporting Data.....	35	38	38	38	38	...	34†	31†

* Data not available.

† An estimated figure for one department store company was included in arriving at the median figures for 1934.

‡ An estimated figure for one of the six chains for which data were not available has been included in arriving at the median figures for 1935.

Table 12. Detailed Executive Compensation and Earnings Figures for 38 Retail Companies

Company ¹	Executive Compensation in 1929		Earnings ² in 1929	Number of Executives in 1929	Executive Compensation (Relatives; 1929 = 100)							
	Percentage of Earnings ³	Percentage of Sales	Percentage of Sales		1928	1929	1930	1931	1932	1933	1934 ⁴	1935 ⁴
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Marshall Field & Company	1.4%	0.1%	5.7%	8	100	100	177	236	167	*	212	212
Safeway Stores, Incorporated	2.4	0.1	3.0	5	52	100	106	101	116	*	134	139
J. C. Penney Company	2.5	0.2	6.1	11	110	100	60	65	45	*	115	106
Sears, Roebuck and Co.	2.5	0.2	7.6	10	281	100	104	77	47	*	47	45
McCrary Stores Corp.	2.8	0.2	7.0	8	114	100	137	216	220	*	*	*
The Kroger Grocery and Baking Company	2.8	0.1	2.1	9	66	100	86	300	69	*	93	*
Walgreen Co.	3.5	0.3	7.0	5	99	100	*	135	119	*	146	*
Neisner Brothers, Inc.	4.3	0.4	8.5	3	97	100	99	99	98	*	118	153
Frank G. Shattuck Company ⁴	4.3	0.6	13.7	7	*	100	103	103	82	*	89	90
S. H. Kress and Company	4.4	0.4	8.9	10	97	100	100	93	72	*	100	90
R. H. Macy & Co., Inc.	4.7	0.4	7.5	4	98	100	100	104	97	*	88	*
J. J. Newberry Co.	5.4	0.4	6.5	8	105	100	98	93	84	*	122	137
S. S. Kresge Company	6.2	0.6	10.4	9	102	100	92	62	32	*	56	*
Montgomery Ward & Co., Inc.	6.2	0.3	5.4	8	100	100	77	50	40	*	33	40
Davega Stores Corporation	6.7	0.5	8.0	7	*	100	142	157	114	*	106	109
First National Stores Inc.	7.4	0.4	4.8	20	74	100	93	95	88	*	70	72
F. W. Woolworth Co. ⁵	7.4	0.9	12.7	30	98	100	87	75	60	*	*	41
The Grand Union Co.	7.6	0.2	3.0	6	57	100	105	126	118	*	98	99
The Outlet Company	7.7	0.8	10.0	4	107	100	92	107	98	*	88	88
National Tea Co.	8.4	0.3	3.3	5	95	100	85	59	57	*	44	44
McLellan Stores Company	8.6	0.4	4.6	8	87	100	83	76	81	*	55	79
Peoples Drug Stores, Inc.	8.8	0.6	6.3	15	143	100	102	102	95	*	114	129
W. T. Grant Company	9.1	0.5	5.2	8	98	100	44	44	32	*	56	70
Kaufman Department Stores, Inc.	10.2	0.7	7.0	8	99	100	99	96	90	*	82	95
The Fair	11.5	0.7	6.5	9	92	100	108	97	86	*	76	69
The May Department Stores Co.	11.7	0.7	6.2	11	105	100	75	56	37	*	73	74
Oppenheim, Collins & Co., Inc.	12.4	1.1	9.0	7	*	100	79	82	67	*	*	39
Associated Dry Goods Corp.	12.9	*	*	12	94	100	89	56	40	*	31	37
Jewel Tea Co., Inc.	13.3	1.5	11.6	9	82	100	109	83	65	*	83	97
G. R. Kinney Co., Inc.	13.6	0.7	5.1	12	96	100	88	77	50	*	75	90
Abraham & Straus, Inc.	16.1	0.9	5.4	4	137	100	100	117	95	*	99	100
Gimbel Brothers, Inc.	16.3	0.5	3.0	16	128	100	96	80	72	*	76	86
Best & Co., Inc.	18.6	2.0	10.8	7	90	100	95	83	49	*	84	97
Wm. Filene's Sons Company	23.5	1.5	6.4	11	118	100	95	96	89	*	87	80
Schulte Retail Stores Corp. ⁴	28.4	*	*	11	104	100	59	46	44	*	45	45
Bloomington Bros., Inc.	29.9	1.0	3.2	8	90	100	129	122	111	*	138	153
Franklin Simon & Co., Inc. ⁴	33.5	*	*	8	105	100	116	107	88	*	81	54
Arnold Constable Corporation . . . . .	...	1.1	Loss 3.3	5	68	100	95	61	64	*	54	54
Medians for Department Stores	12.7	0.8	6.4	8	100	100	96	96	88	*	82†	83
Medians for Chain Stores	6.2	0.4	6.4	8	98	100	98†	93	72	*	89	90
Medians for All Firms	7.7	0.5	6.4	8	98	100	97†	94	82	*	84†	88

* Data not available.

† In arriving at this median, an estimate was included for Walgreen Co.

‡ In arriving at this median, an estimate was included for Oppenheim Collins & Co., Inc.

¹ Companies are ranked according to the percentage of earnings paid to executives.

² Earnings is defined as net income after all charges including depreciation and Federal taxes but prior to executive compensation and interest.

³ Figures for 1928 through 1932 were based on data furnished by individual companies to the Federal Trade Commission while those for 1934 and 1935 were based on figures reported to the Securities and Exchange Commission. In some instances, it appeared desirable to adjust the figures for 1934 and 1935 in order to make them more nearly comparable with those available for the earlier years. Several of the compensation figures for 1934 and 1935, therefore, are estimates.

⁴ Interest figures were not available for this company for 1929. The earnings figure, therefore, in this instance is after rather than prior to interest charges. The earnings figure given in column 3, consequently, is relatively low and the percentage in column 1 expressed in relation to earnings is somewhat overstated.

⁵ The earnings figure for F. W. Woolworth Co. includes dividends from foreign subsidiaries.

compensation payments. To mention several important factors: dollar earnings, used as a base in the percentages, varied considerably among the companies; differences in company organization may have required varying numbers of executives; and in certain companies a majority of the stock was owned by the executives, who may have taken part of their compensation in the form of dividends. In still other companies the share of earnings going to executives may have been too low; so low indeed that the ablest men for such positions may not have been attracted to them or, if attracted, not permanently retained by the company. This method of arraying the firms was employed simply to indicate a condition; not to suggest either a vice or a virtue.

The median average percentage of earnings paid by retail firms for executive compensation in 1929 according to Table 12 was approximately 7.7%. Deficits (using earnings as herein defined) appeared in 1929 for one retail company which consequently has been excluded from this particular comparison.

The median percentage for executive compensation to sales for 1929 was 0.5%, with an extreme range among the various companies from 0.1% to 2.0% of sales. The range for department stores for 1929 was from 0.1% to 2.0%, and for chain stores from 0.1% to 1.5%. The median percentages

compare closely with those appearing in Table 4 both for retail and industrial companies. From the standpoint of the consumer's dollar, officers' compensation is not an important item.

Although companies are ranked on a basis of the percentage of executive compensation to earnings (column 1), this percentage does not necessarily indicate the efficiency of management. In column 3, Table 12, figures for earnings as a percentage of sales for 1929 afford a better measure of efficient operation. The median for 1929 was 6.4% with the figures ranging from a deficit of 3.3% to earnings of 13.7% of sales.

A significant part of Table 12, columns 5 to 12 inclusive, illustrates for the separate companies the trend of total executive compensation in dollars as related to executive compensation in 1929, the base year. While the average figures, given at the foot of this table and presented in earlier tables, disclose general tendencies, the figures for the individual companies show the efforts made by the various concerns to control their salary expense. For example, although the average index of executive compensation fell only 18% below 1929, or to 82 by 1932, one-fifth of the companies had slashed total executive compensation more than 50% by that time. On the other hand, seven companies had higher compensation in 1932 than in 1929.

THE RELATION OF COMPENSATION TO EARNINGS AND DIVIDENDS

The first part of this report has been concerned chiefly with executive compensation in relation to sales and with the year-to-year fluctuations in dollar payments to executives. How did these dollar payments compare with dividend disbursements? What share of earnings usually was distributed to executives?

An introduction to this aspect of the compensation problem exists in the percentages presented in Table 12 for executive compensation to earnings in 1929. The median percentage indicates that retail firms typically paid 7.7% of their earnings, as defined for this study, to executives in 1929.

The use of the earnings figure as a base for computing percentages is open to as much criticism as the use of the sales figure, if year-to-year comparisons are to be made for the years 1928-1934.

Indeed, company earnings fluctuated more widely than did sales during this period and annual percentages based on such variable figures would differ markedly among the several firms studied. Since this was the case, earnings was used as a base in only two periods. For each of the 38 retail companies executive compensation, balance available for dividends¹, and dividend payments were computed in relation to earnings for the single year 1929 and for the entire period, 1928-1934, accumulated. Data for individual years other than 1929 were not so expressed.

In order to trace year-to-year changes in earnings and dividend payments over the period, relatives with 1929 as the base were computed for each com-

¹ Earnings as defined minus executive compensation and interest.

pany, and medians were prepared for all the retail companies as a group, for department store companies, and for chains. These medians, together with medians for the relative proportions of earnings going to executive compensation and dividends in 1929 and the seven years combined, are given in Table 13.

From the median figures for all retail companies given in the first column of the table, it is evident that a fairly small proportion, 7.7% of earnings prior to executive compensation and interest, went to the remuneration of officers in 1929. After interest and executive compensation expense had been met, 89.1% of earnings was left for dividend payments, less than half this figure, or 41.0% of earnings, commonly being distributed as dividends.

The period 1929-1932 was characterized by a marked and fairly uniform year-to-year decline in total earnings. According to the index numbers in

Table 13, these earnings in 1932 amounted to about one-third the 1929 earnings figure. No comparable figure for 1933 is available, since the information secured from the Federal Trade Commission on executive compensation, an essential figure in calculating earnings prior to executive compensation, covered but nine months of that year. Published figures¹ for department stores, variety chains, and department store chains, however, indicate that earnings in 1933 were more favorable in general than in 1932 for these firms. From the rather meager data available for food chains, on the other

¹ Harvard Business School, Bureau of Business Research, Bulletin No. 100, *Operating Results of Department and Specialty Stores in 1935*, by Carl N. Schmalz, p. 9; Bulletin No. 103, *Expenses and Profits of Limited Price Variety Chains in 1935*, by Stanley F. Teele, pp. 10, 11; Bulletin No. 101, *Operating Results of Department Store Chains and Department Store Ownership Groups: 1929, 1931-1934*, by Stanley F. Teele, p. 11; Bulletin No. 99, *Expenses and Profits of Food Chains in 1934*, by Carl N. Schmalz, pp. 39, 41.

Table 13. Executive Compensation, Balance Available for Dividends, and Dividends in Relation to Earnings¹: 1928-1935
(Median Figures for 38 Retail Companies Classified by Type)

Items	Percentage of Total Earnings ¹	Index Numbers Based on Dollar Figures (1929 = 100)								Percentage of Total Earnings ¹ 1928-1934 Combined
		1929	1928	1929	1930	1931	1932	1933	1934		1935
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All Companies:										
Executive Compensation	7.7%	98	100	97†	94	82	*	84‡	88	11.1%#
Balance Available for Dividends	89.1	93	100	69	46	28	46	53	66	86.1
Earnings ¹	100.0	94	100	75	54	35	*	66	68	100.0
Total Dividends	41.0	86	100	99	95	64	35	62	67	49.1
23 Chains²:										
Executive Compensation	6.2%	98	100	98†	93	72	*	89	90	7.5%#
Balance Available for Dividends	92.4	91	100	70	63	44	55	72	74	89.0
Earnings ¹	100.0	89	100	75	69	47	*	72	73	100.0
Total Dividends	39.0	76	100	102	99	85	63	88	88	48.0
15 Department Stores³:										
Executive Compensation	12.7%	100	100	96	96	88	*	82‡	83	19.9%#
Balance Available for Dividends	81.4	98	100	67	34	4	28	38	42	65.5
Earnings ¹	100.0	97	100	74	39	10	*	47	50	100.0
Total Dividends	49.6	97	100	98	86	31	28	45	57	54.1

* Data not available.

† In arriving at this median, an estimate was included for Walgreen Co.

‡ In arriving at this median, an estimate was included for Oppenheim Collins & Co., Inc.

Complete data on executive compensation were not available for 1933. In order that a seven-year average might be secured for executive compensation and for earnings prior to executive compensation and interest, estimates of compensation based on the amounts paid in 1932 have been included for each company.

¹ Earnings is defined as net income after all charges including depreciation and Federal taxes, but prior to executive compensation and interest.

² Figures for three of the companies did not cover the entire seven-year period; no figures were available for F. W. Woolworth Company for 1934, for Walgreen Co. for 1930, or for McLellan Stores Company for 1932. For these companies, six-year averages were used. Because of lack of data, no figures for McCrory Stores Corporation were included in arriving at the median figures in column 10.

³ In preparing these medians, the only figures used for Arnold Constable Corporation were the executive compensation relatives.

hand, this did not appear to be true. It seems reasonable to assume, nevertheless, that for the 38 retail companies as a group, the index of total earnings for 1933 would have been no lower than for 1932 and that it probably was higher. Rapid increases in commodity prices in 1933 gave many retailers a chance to sell merchandise at a higher mark-up than usual, an advantage which would have been reflected in improved earnings. By 1935 dollar earnings commonly amounted to approximately two-thirds of the 1929 earnings.

The other index numbers given in Table 13 show to what degree executive compensation and dividend payments were made to conform to the reduced dollar earnings. From the data in this and in previous tables, one can see that executive compensation in dollars typically remained at about the same level in the three years 1928, 1929, and 1930; that it dropped 6% below the 1929 figure by 1931; and by 1932 was 18% below the 1929 peak. In contrast to this relatively moderate drop was the decline in earnings which by 1932 was 65% below the 1929 figure. Therefore, although payments to executives typically were reduced during the depression, these dollar payments were usually much more stable than were the earnings.

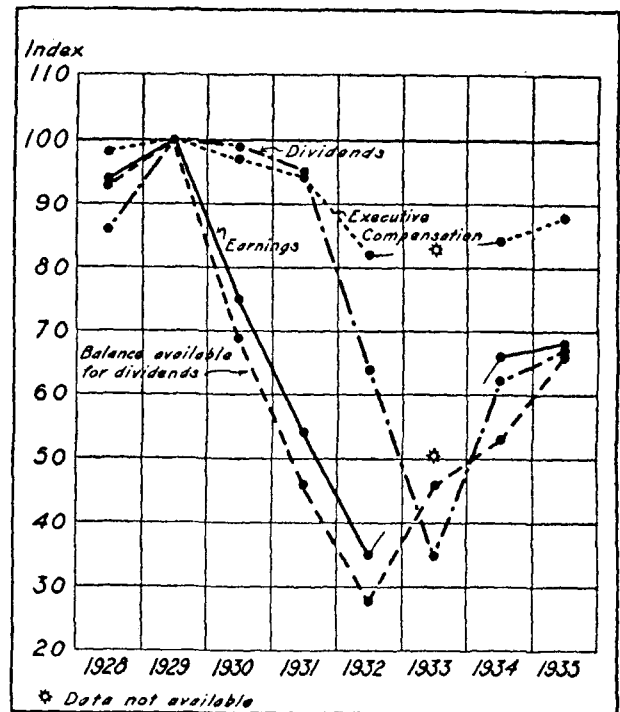
Since executive compensation fluctuated less than earnings, the balance available for dividends, after executive compensation, tended to fluctuate more widely than either figure. In 1930, the balance available was 31% below the high level in 1929, and by 1932 it was 72% below.

Dividend payments, however, were maintained at a fairly uniform amount for the years 1929 through 1931, not dropping until 1932, when a level 36% below that for 1929 was typical. In 1933 the index of dividend payments stood 65% below 1929. Firms apparently did not reduce dividends until profits were extremely low or until actual deficits were incurred. In 1935 the index numbers for earnings, balance available for dividends, and dividends paid, were similar.

The several index numbers for all 38 companies given in Table 13 are presented graphically in Chart 3.

The trend in the various items for the period, 1928-1934, is reflected also in the averages in the last column of Table 13. Since executive compensation ordinarily was not decreased as much as earnings diminished, it is not surprising to find that for the seven years, considered as one period, executive compensation required a larger part of the earnings than was typical for the single year 1929, 11.1% as

Chart 3. Executive Compensation, Balance Available for Dividends, Dividends, and Earnings for 38 Retail Companies: 1928-1935



compared with 7.7%. Likewise the stability of dividend payments is reflected in the percentage of earnings devoted to such payments, 49.1% for the seven years as compared with 41.0% for the one year 1929. These latter figures, on the average, seem reassuring from the standpoint of maintaining proper reserves, since the balance available for dividends for the seven-year period was 86.1% of the earnings.

One further comparison is of interest. In 1929, executives received about one-fifth as much (total remuneration) as stockholders received in dividends, while for the entire seven-year period the officers were paid nearly one-fourth as much as the stockholders received.

Chains

Chain store companies, as illustrated in the second section of Table 13, typically disbursed 6.2% of their earnings in 1929 for executive compensation and between six and seven times this amount for dividends. The dividend payments, however, amounting to 39.0% of earnings, accounted for less than half the balance available for dividends.

During the period studied, dollar earnings prior to executive compensation and interest fluctuated

less widely for chains than did the earnings for the 38 retail companies as a group. The low point in the earnings index for chain store companies occurred in 1932. In the absence of comparable data for 1933, it is estimated that earnings for that year were higher than in 1932. Clearly the balance available for dividends after paying salaries, extra compensation, and interest was greater in 1933 than in the preceding year. Since for chains this balance amounted to approximately 90% of the total earnings figure, it is reasonable to suppose that a noticeable increase in the balance available for dividends would imply improved total earnings.

As noted in the discussion of Table 10, chains reduced their dollar payments to executives to a greater degree than did the department stores. At the same time, their earnings fluctuated less widely than did those for other retail companies. It is not surprising, therefore, to find the average percentage figures for executive compensation over the period, 1928-1934, varying less from the 1929 figures than was true for the total group in the first section of Table 13. Executive compensation for the seven-year period typically required 7.5% of the total earnings, while for the single year 1929 it absorbed 6.2%. The balance available for dividends was 89.0% of earnings for the longer period, as compared with 92.4% for the one year, 1929.

Larger differences between the 1929 figures and those for the seven years as a whole are shown in the dividend figures. Here the median percentage increased from 39.0% of earnings in 1929 to 48.0% for the seven years accumulated. Chains, as a rule, did not reduce their dollar dividend payments substantially until 1933, when dividends amounted to 63% of the 1929 payments. Then, in 1934 and 1935, dividend disbursements were increased to 88% of the 1929 amounts. For the seven-year period dividend payments accounted for slightly more than half the balance available for dividends and to less than half the total earnings. The chain organizations were plowing back distinctly more of their earnings than were the other retailers studied.

Department Store Companies

Department store companies spent 12.7% of their 1929 earnings for executive compensation and 49.6% for dividends. Considering the seven years, 1928-1934, as one period, payments to executives typically required almost 20% of the earnings while slightly more than 54.0% of earnings was distributed in dividend payments. The relatively high

average percentage figure for remuneration of executives reflects, first, the severe decline in dollar earnings experienced by department stores, and second, the high level of executive compensation in dollars maintained through 1932.

Earnings for department stores dropped at a sharp and uniform rate from 1929 until 1932, when they hit a low point at 10% of the 1929 earnings. The following years saw improvement and in 1934 and 1935 dollar earnings amounted to about 50% of earnings in 1929. This performance may be contrasted with chain earnings which by 1935 were back to a level equivalent to 73% of that achieved in 1929. The more satisfactory dollar earnings achieved by the chains accompanied a better sales record. Chains, a comparatively new type of retail enterprise, were still expanding during 1929 and 1930 and the continued opening of new stores made it possible to hold aggregate dollar sales and earnings at a fairly even level during the depression. Department stores, on the other hand, were not expanding. Their big growth had occurred somewhat earlier. The fact that department stores apparently were in a period of expanding demand during the years immediately following the war probably aided them materially in coming through the depression of 1921 without severe difficulty.

As was pointed out in discussing Table 10, department stores as well as chains used incentive compensation plans, but the bonuses given by department store companies were not so important a part of the total executive payments as in the case of chain store companies. For this added reason, executive compensation expense in department stores was less flexible in the face of declining earnings than it was in the chains.

Since relatively larger proportions of earnings went into executive compensation as earnings declined, the balance available for dividends among the 15 companies dropped more sharply than did the dollar earnings. Dividend payments were cut drastically in 1932 and were reduced still further in 1933 to a level 72% below that of 1929. Even with these curtailments, dividends over the period as a whole amounted typically to 54.1% of earnings prior to executive compensation and interest, while the balance available for dividends was 65.5% of the earnings. Two of the department stores, as shown later in Table 14, paid out more in dividends than they earned. On the average, however, dividend payments were kept well within the limits imposed by the balance available for dividends. It is of interest to note that for the period, 1928-1934,

executive compensation was equivalent to nearly two-fifths of the dividend payments in the case of the department stores, while in the case of the chains payments to executives were only about one-sixth as large as the dividend disbursements.

Individual Companies, 1928-1934

Detailed figures, many of which were used in arriving at the medians for Table 13, are presented for the 38 individual retail companies in Table 14. The firms are listed according to the percentage of earnings paid to executives for the seven-year period, 1928-1934.

In addition to executive compensation and dividend percentages, Table 14 includes data on interest in relation to earnings. The interest item is one for which it was somewhat difficult to secure comparable data. Firms occasionally published a net interest figure only, while a few others listed no expense for the interest account as distinct from other operating expenses. Still other companies, particularly chains, apparently incurred no expense on borrowed capital.

The primary object in tabulating interest figures was to obtain a means of adjusting the earnings figures so that earnings for firms operating to varying extents on borrowed capital could be compared more intelligently with earnings for companies operating wholly on their own capital. The very need for making the adjustment is evidence of important differences in policy among the companies. Any medians based on interest data would be misleading; consequently such averages have been omitted. The interest percentages for the various companies, however, are included in Table 14 in order that as complete data as possible for each firm may be available for study.

Other data in the table include sales figures in millions of dollars, executive compensation in relation to sales, and a statement of the percentage of voting stock owned by executives near the end of 1934.

As a rough measure of the operating efficiency of the different companies, figures are included for earnings in relation to sales. Earnings for the entire period ranged from 0.7% to 12.8% of sales, centering about a median figure of 4.9%, more than 1.0% of sales lower than was typical during the single year, 1929. Department stores and chains showed nearly the same percentage of earnings to sales for the seven years combined. This similarity of earnings, as between chains and department store companies, was true also for the single year, 1929.

It is possible from the information afforded by Table 14 to compare company dividend disbursements with the amounts available for dividends and with the payments to executives. For example, eight companies, approximately 20% of the entire group, paid out more in dividends over the period than they had available from earnings, and two companies paid more to executives than to stockholders. In one of these latter companies, however, 94% of the voting stock was owned by the management, as indicated in the final column of the table. The other of the two companies had the lowest earnings figure recorded for any of the firms, 0.7% of sales.

The Significance of Stock Ownership in the Payment of Dividends and Executive Compensation

All 38 retail companies whose figures were available for this study were corporations listed on the New York Stock Exchange, with varying proportions of their voting stock owned by management and by the general public. It was thought desirable as a part of this study to ascertain, in so far as possible, the percentage of voting stock controlled by management in the separate companies and to discover if this factor had perceptible effects on earnings, executive compensation, and on dividends. The Securities and Exchange Commission requested information concerning the number of voting shares owned by management as of 1934. The wording of the Commission's request for data, however, was somewhat vague and consequently the exactness of much of the material furnished is questionable.¹ The figures reported on stock ownership by management were compared with the total amounts of voting stock issued by the companies as shown in their published statements, and percentages were computed. These percentage figures may be found in column 8 of Table 14.

It is at once clear from these figures that the extent of stock ownership by executives varied widely among companies. For five different concerns as little as 5% or less of the total voting stock was held by officers. On the other hand, in the cases of six other companies, 80% or more of

¹ In certain companies the error in the figures may be quite large. For example, it was not always clear how stock owned by retired officers or beneficiaries of former officers should be classified. In some instances, such stock was known to be held by company directors or officers. Where such stock was reported, it was considered as management-owned.

Table 14. Sales, Earnings, Executive Compensation, and Dividend Figures for 38 Retail Companies: 1928-1934, Accumulated

Company ²	Executive Compensation ¹	Interest	Balance Available for Dividends	Total Dividends	Average Annual Sales	Earnings ³	Executive Compensation ¹	Percentage of Voting Stock Owned by Management Near the End of 1934 ⁴
	Percentage of Earnings	Percentage of Earnings ⁵	Percentage of Earnings ⁵	Percentage of Earnings ⁵	In Millions of Dollars	Percentage of Sales	Percentage of Sales	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
J. C. Penny Company	2.2%	....	97.8%	69.5%	\$185.6	6.0%	0.1%	11%
Safeway Stores Incorporated	3.4	4.0%	92.6	67.6	210.7	2.3	0.1	2
S. H. Kress and Company	4.5	0.2	95.3	24.6	67.9	8.0	0.4	82
The Kroger Grocery & Baking Company	4.7	....	95.3	47.2	235.1	1.8	0.1	2
Sears, Roebuck and Co.	4.8	....	95.2	45.5	320.5	5.0	0.2	18
J. J. Newberry Co.	5.2	15.6	79.2	38.5	31.3	5.7	0.3	56
S. S. Kresge Company	5.6	8.3	86.1	53.4	141.3	8.8	0.5	39
Walgreen Co.	5.6†	0.7†	93.7†	20.2†	46.6†	5.3†	0.3†	23
W. T. Grant Company	5.8	3.2	91.0	33.1	72.1	4.3	0.3	64
F. W. Woolworth Co. ⁵	6.4†	....	93.6†	73.1†	276.2	12.8†	0.8†	15
R. H. Macy & Co., Inc.	6.9	13.8	79.3	49.1	120.5	5.6	0.4	32
First National Stores, Inc.	7.3	0.1	92.6	47.9	102.5	4.4	0.3	4
Neisner Brothers, Inc.	7.7	26.0	66.3	27.5	14.7	4.9	0.4	57
Marshall Field & Company	7.8	40.9	51.3	107.4	126.2	2.3	0.2	49
Frank G. Shattuck Company ⁶	8.0	....	92.0	63.8	20.0	8.7	0.7	36
The Grand Union Co.	10.9	....	89.1	56.7	32.8	2.4	0.3	6
Peoples Drug Stores, Incorporated	11.0	....	89.0	36.1	15.7	5.4	0.6	34
National Tea Co.	11.1	....	88.9	46.6	75.9	2.1	0.2	26
McLellan Stores Company	11.1†	....	88.9†	26.4†	21.2†	3.2†	0.4	47
The Outlet Company	11.7	....	88.3	64.9	9.2	8.1	1.0	66
Montgomery Ward & Co., Incorporated	12.0	....	88.0	109.6	220.4	2.1	0.3	2
The May Department Stores Company	13.4	....	86.6	66.3	92.8	4.5	0.6	15
Jewel Tea Co., Inc.	13.8	....	86.2	66.7	15.0	10.5	1.5	13
Kaufman Department Stores, Inc.	16.5	16.3	67.2	54.1	22.2	5.1	0.8	65
Associated Dry Goods Corporation	17.2	20.0	62.8	84.9	46.2#	*	*	11
Abraham & Straus, Inc.	18.4	17.5	64.1	27.4	23.2	5.6	1.0	89
Best & Co., Inc. ⁶	19.9	....	80.1	37.2	13.1	8.8	1.8	1
Oppenheim Collins & Co., Inc.	21.6†	....	78.4†	71.5†	13.6	5.7†	1.2†	50
The Fair	26.4	....	73.6	82.3	22.2	3.4	0.9	65
Davega Stores Corporation	26.8†	0.6	72.6†	46.6†	11.9†	4.2†	1.1†	85
G. R. Kinney Co., Inc.	30.5	51.1	18.4	69.2	15.6	2.3	0.7	26
Wm. Filene's Sons Company	31.2	3.3	65.5	31.2	37.7	5.9	1.8	99
Schulte Retail Stores Corporation ⁶	32.8	21.6	45.6	139.0	29.3§	2.8	0.9	51
Gimbel Brothers, Inc.	36.5	123.1	Loss 59.6	49.1	97.0	1.5	0.6	27
Bloomingdale Bros., Inc.	38.8	1.0	60.2	34.8	21.9	3.1	1.2	94
Arnold Constable Corporation	139.2	....	Loss 39.2	0.0	9.3	0.7	1.0	34
Franklin Simon & Co., Inc. ⁶	181.0	....	Loss 81.0	217.3	10.1#	*	*	100
McCrary Stores Corp.	*	*	*	*	42.4†	*	*	*
Median—Total Group	11.1%	....	86.1%	49.1%	\$ 35.3	4.9%	0.6%	34%
Department Stores	19.9	....	65.5	54.1	22.2	5.1	1.0	50
Chain Stores	7.5	....	89.0	48.0	46.6	4.7	0.3	26

* Data not available. † Six-year average. ‡ Average for 1928-1932. § Sales figure for 1929 estimated.

Average for 1933 and 1934, not considered in arriving at the median figures.

¹ Complete data on executive compensation were not available for 1933. In order that a seven-year average might be secured for executive compensation and for earnings prior to executive compensation and interest, estimates of compensation based on the amounts paid in 1932 have been included for each company.

² The companies are ranked according to the percentage of earnings paid to executives. During the seven-year period covered by this table, several mergers or consolidations occurred not only in the chain store but in the department store field. The published annual income statements used in preparing this table in such cases reflect the operations of a changing number of stores.

³ Earnings is defined as net income after all charges including depreciation and Federal taxes, but prior to executive compensation and interest.

⁴ The percentage of voting stock was based on the number of common or common and preferred shares outstanding which carried the voting right. It was not always possible to determine the exact number of such shares owned by management. The figures here presented should be regarded as suggestive rather than as definite.

⁵ The earnings figure for F. W. Woolworth Co. includes dividends from foreign subsidiaries.

⁶ Adequate interest charges were not available for this company. The earnings figure given in column 6, therefore, is relatively low and the figures in columns 1, 3 and 4 expressed in relation to earnings are somewhat overstated.

the stock was management controlled. When the figures for all the retail companies were tabulated, the median percentage was 34% for management-owned stock. This figure stands in contrast to a median of 8.10% found for the group of 107

industrial firms studied previously. Department store executives typically owned larger proportions of voting stock than did chain store officers; the median figure for department store companies was 50% and for chains 26%.

Table 15. Executive Compensation and Dividends for 26 Separate Retail Companies Classified According to the Percentage of Voting Stock Owned by Management: 1929, and 1928-1934, Accumulated

Group	Executive Compensation			Total Dividends			Voting Stock Owned by Management
	Percentage of Earnings ¹		Relatives 1934/1929	Percentage of Earnings ¹		Relatives 1934/1929	
	1929	1928-1934 Accumulated		1929	1928-1934 Accumulated		Percentage of Total Voting Stock 1934
Companies in which management owned less than 20% of the voting stock:							
J. C. Penney Company	2.5%	2.2%	115	46.4%	69.5%	191	11%
Safeway Stores Incorporated	2.4	3.4	134	33.1	67.6	157	2
The Kroger Grocery & Baking Company	2.8	4.7	93	29.2	47.2	182	2
Sears Roebuck and Co.	2.5	4.8	47	35.4	45.5	0	18
F. W. Woolworth Co.	7.4	6.4†	*	60.8	73.1†	100	15
First National Stores, Inc.	7.4	7.3	70	38.0	47.9	118	4
The Grand Union Co.	7.6	10.9	98	44.1	56.7	98	6
Montgomery Ward & Co., Incorporated	6.2	12.0	33	82.8	109.6	18	2
The May Department Stores Company	11.7	13.4	73	58.4	66.3	48	15
Jewel Tea Co., Inc.	13.3	13.8	83	63.0	66.7	76	13
Associated Dry Goods Corporation	12.9	17.2	31	63.1	84.9	14	11
Best & Co., Inc.	18.6	19.9	84	32.2	37.2	91	1
Median Figures	7.4%	9.1%	83	45.3%	66.5%	95	9%
Companies in which management owned 50% or more of the voting stock:							
S. H. Kress and Company	4.4%	4.5%	100	16.9%	24.6%	197	82%
J. J. Newberry Co.	5.4	5.2	122†	43.0	38.5	88	56
W. T. Grant Company	9.1	5.8	56	20.5	33.1	171	64
Neisner Brothers, Inc.	4.3	7.7	118	12.8	27.5	232	57
The Outlet Company	7.7	11.7	88	49.4	64.9	62	66
Kaufman Department Stores, Inc.	10.2	16.5	82	49.7	54.1	41	65
Abraham & Straus, Inc.	16.1	18.4	99	19.1	27.4	178	89
Oppenheim, Collins & Co., Inc.	12.4	21.6†	*	55.2	71.5†	0	50
The Fair	11.5	26.4	76	61.9	82.3	26	65
Davega Stores Corporation	6.7†	26.8†	106	26.8	46.6†	10	85
Wm. Filene's Sons Company	23.5	31.2	87	17.8	31.2	185	99
Schulte Retail Stores Corporation ²	28.4	32.8	45	116.5	139.0	0	51
Bloomington Bros., Inc.	29.9	38.8	138	28.9	34.8	142	94
Franklin Simon & Co., Inc. ²	33.5	181.0	81	77.0	217.3	13	100
Median Figures	10.9%	20.0%	88	36.0%	42.6%	75	66%

* Data not available.

† Six-year average.

‡ Estimated.

¹ Earnings is defined as net income after all charges including depreciation and Federal taxes, but prior to executive compensation and interest.

² Interest figures were not available for this company for all of the years studied. Had it been possible to secure adequate interest figures, the earnings prior to executive compensation and interest would have been larger and the percentages for executive compensation and dividends to earnings would have been somewhat lower.

Earnings Classified According to the Extent of Stock Ownership by Management

Economists and business men have discussed at length the possible effect of diffusion of stock ownership on corporate earnings. Do executives, having substantial interests in their businesses, secure more satisfactory returns than executives with little or no investments in their firms? It might seem on first thought that the best measure for testing such earnings performance would be the rate of return on invested capital. Investment in retail companies, however, may vary materially with the firm's real estate policy. Many department stores, for example, own all the real estate used in the business while few chains follow that policy. Also, the investment in accounts receivable is very different for the two types of organization. The difficulties encountered in interpreting the financial figures for the relatively few firms in the sample led to the decision not to compute the ratio of earnings to investment. In its stead the rates of earnings on sales, already presented in earlier tables in the study,

have been classified according to the percentage of stock owned by management.

Table 16 gives figures for 1929 earnings in relation to sales for retail companies with less than 20% of the voting stock owned by management, for companies with 20% to 50% so controlled, and for those with 50% or more of the stock owned by management. In each of these three groups, the companies are listed according to percentage of earnings to sales. The corresponding figures for the years 1928-1934 combined appear in Table 17. With the medians varying from 5.7% to 6.8% of sales, the earnings figures for the single year 1929 reveal a surprising similarity among the three groups. The firms with the highest percentages of voting stock owned by management appear to have a slight advantage over the firms in the other two groups. For the seven years, 1928-1934 combined, a similar advantage appeared to be typical for firms with a majority of the stock owned by management. Because of the slight differences between the median earnings percentages for the group of companies

Table 17. Earnings¹ in Percentage of Sales for 37 Retail Companies² Classified According to the Percentage of Voting Stock Owned by Management: 1928-1934, Accumulated

Companies in which management owned less than 20% of voting stock	Earnings ¹ (Percentage of Sales)	Companies in which management owned 20-50% of voting stock	Earnings ¹ (Percentage of Sales)	Companies in which management owned more than 50% of voting stock	Earnings ¹ (Percentage of Sales)
The Kroger Grocery & Baking Company.....	1.8%	Arnold Constable Corporation.....	0.7%	Schulte Retail Stores Corporation ³	2.8%
Montgomery Ward & Co., Incorporated.....	2.1	Gimbel Brothers, Inc.	1.5	Bloomingdale Bros., Inc.	3.1
Safeway Stores Incorporated	2.3	National Tea Company....	2.1	The Fair.....	3.4
The Grand Union Co.	2.4	G. R. Kinney Co., Inc.	2.3	Davega Stores Corporation.	4.2 †
First National Stores, Inc. .	4.4	Marshall Field & Company	2.3	W. T. Grant Company.....	4.3
The May Department Stores Company.....	4.5	McLellan Stores Company	3.2 †	Neisner Brothers, Inc.	4.9
Sears, Roebuck and Co.	5.0	Walgreen Co.	5.3 †	Kaufman Department Stores Inc.	5.1
J. C. Penney Company.....	6.0	Peoples Drug Stores, Incorporated.....	5.4	Abraham & Straus, Inc.	5.6
Best & Co., Inc. ³	8.8	R. H. Macy & Co., Inc.	5.6	J. J. Newberry Co.	5.7
Jewel Tea Co., Inc.	10.5	Frank G. Shattuck Company ³	8.7	Oppenheim, Collins & Co., Inc.	5.7 †
F. W. Woolworth Co. ⁴	12.8 †	S. S. Kresge Company....	8.8	Wm. Filene's Sons Company	5.9
Associated Dry Goods Corporation.....	*			S. H. Kress and Company..	8.0
				The Outlet Company.....	8.1
				Franklin Simon & Co., Inc..	*
Median Figures.....	4.5%		3.2%		5.1%

* Data not available.

† Six-year average.

¹ Earnings is defined as net income after all charges including depreciation and Federal taxes, but prior to executive compensation and interest.

² The basis for classification was the percentage of stock owned by management in 1934. Corresponding information for earlier years was not available.

³ Interest figures were not available for this company for all the years studied. Had it been possible to secure adequate interest figures, the earnings percentage would have been somewhat higher.

⁴ Earnings for F. W. Woolworth Co. include dividends from foreign subsidiaries.

with little of the stock controlled by management, and the companies with large blocks of stock so owned, it seems reasonable to conclude that for the 37 retail firms considered large holdings of stock were not necessarily accompanied by high earnings.

Executive Compensation in Dollars

Thus far in this study the payment of executive officers of retail companies has been viewed in relation to sales and to earnings. Index numbers and relatives indicating the year-to-year variation in dollar expenditure for such compensation have been presented and discussed. There remains to be considered the actual amounts in dollars paid to executives. For this special study¹ the pre-depression year 1929 and the more recent year 1934 were selected.

For the earlier of these two years, sufficiently detailed data were available to enable tabulation for each company of the dollar payments to the highest paid executive, the second highest paid, and the third highest paid officer. In addition, two other figures were tabulated: the average compensation paid to the remaining company officers; and a general figure indicating the average payment per executive, all company executives being grouped together. Corresponding data for the three highest paid men were assembled for the year 1934. Since the total executive payments in 1934, as noted previously, were in many cases estimates, it was decided not to attempt to present figures for the two other items covered for 1929.

Median dollar figures indicating the compensation typically paid to executives of department store companies, of chains, and of all retail companies are given in Table 18. For comparison, similar data are included for more than 100 industrial companies. Percentage figures emphasize the spread between the amounts paid typically to the highest paid, the second highest paid, and the third highest paid executive.

According to the median figures in Table 18, the highest paid department store officer on the average

¹ Data for 1935 were somewhat less complete than for 1934, hence the material for 1934 was used rather than the information for the later year.

² It is to be remembered that these compensation figures represent cash payments only. No consideration has been given to additional remuneration in the form of warrants or options to purchase stock in the company. Certain of the firms, particularly the chains, granted such warrants or options to officers.

³ In considering the question as to whether executives are paid too highly, it is of interest to note what share of the salary can be retained by the officer receiving it. The following illustration indicates how large a proportion of the total income of a New

received \$76,000 in 1929; corresponding figures for chain and industrial executives in that year were \$52,000 and \$55,000, respectively.² For all 38 retail companies grouped together, the figure was \$64,000³. Thus the typical compensation of the highest paid executives in retail companies in 1929 was almost \$10,000 higher than compensation typically paid to corresponding executives of industrial companies. This difference, however, resulted almost entirely from the relatively high payments to department store executives.

For all retail companies, the compensation of the second highest paid executive was approximately two-thirds that of the highest paid, while the third highest paid executive received about one-half the compensation of the highest paid. The spread between the compensation rates of executives in the retail trade and in industry, however, was as great relatively among these lower ranks as for top-rank men.

In 1934 the dollar figures, as might be expected, were notably lower than they were in 1929. The highest paid department store executive typically received \$61,000, while the corresponding men in chains and industrial concerns were paid \$43,000 and \$40,000, respectively. The second and third highest paid officers of department store companies in 1934 received approximately two-thirds as much as the highest paid executive. In chains and in industrial firms the second highest paid man in 1934 received less than two-thirds of the compensation of the highest paid, and the third highest paid executive received approximately half the amount paid to the man with highest dollar compensation. For both 1929 and 1934, the differences between the typical payments to department store executives and to industrial executives were substantial, department store men being the more highly paid. Rates of compensation were almost the same in the chain field and in industry.

When interpreting the data in this table, it must be remembered that no allowance has been made for size of company. Figures given in the footnote

York executive receiving \$100,000 remains after deduction of income taxes.

Salary		\$100,000
Federal Tax	\$32,469	
New York State Tax	6,575	
Emergency New York State Tax	975	40,019
Net Salary		\$ 59,981

(In arriving at the above figures, allowance was made for a \$2,500 deduction for dependents.)

to the table indicate that in both years the chain store companies realized larger sales volumes than did the department store companies. Sales figures were available for too few of the industrial concerns to make it possible to establish typical sales figures for them. Among retail firms, it appears that type of business rather than size of business is the dominant factor in establishing compensation levels.

In order to test whether or not size of company within a single type of business influenced the dollar compensation of executives, both department store companies and chain companies were classified in two size groups according to sales volume, and median figures for dollar compensation in 1934 were prepared. These figures, based to be sure on

very small samples, are given in Table 19. Although few sales figures were published for industrial firms, asset figures were available for a number of them. The executive compensation data for these companies have been classified by size of company as indicated by asset values in 1929.¹

Study of the rather meager data in Table 19 reveals that for chains, department store companies, and industrial companies dollar payments to all executives typically were higher for large than for small companies. The most pronounced differences

¹ The asset value classification based on 1929 figures was used in preparing the data for industrial firms summarized earlier in Table 4 of this report. It is believed that little change would have occurred in the grouping had the asset figures for 1934 been used in classifying the company figures for use in this table.

Table 18. Typical Compensation in Dollars Paid to Chief Executives in Retail and Industrial Companies: 1929 and 1934
(Median Figures)

Ranking in Total Compensation of Executives in Individual Companies	Retail Companies ¹						Industrial Companies ¹	
	Department Store Companies		Chain Store Companies		Total			
	Executive Compensation		Executive Compensation		Executive Compensation		Executive Compensation	
	Amount (Median)	Percentage of Median Compensation of Highest Paid Executive	Amount (Median)	Percentage of Median Compensation of Highest Paid Executive	Amount (Median)	Percentage of Median Compensation of Highest Paid Executive	Amount (Median)	Percentage of Median Compensation of Highest Paid Executive
1929								
Number of Companies.....	15	..	23	..	38	..	149	..
Highest Paid Executive.....	\$76,000	100%	\$52,000	100%	\$64,000	100%	\$55,000	100%
Second Highest Paid Executive..	50,000	66	32,000	62	43,000	67	35,000	64
Third Highest Paid Executive....	37,000	49	25,000	48	31,000	48	25,000	45
All Other Executives ² (Averaged)..	15,000	20	12,000	23	14,000	22	13,000	24
Total Executives ² (Averaged)....	37,000	49	23,000	44	29,000	45	22,000	40
1934								
Number of Companies.....	14	..	20	..	34	..	123	..
Highest Paid Executive.....	\$61,000	100%	\$43,000	100%	\$58,000	100%	\$40,000	100%
Second Highest Paid Executive..	43,000	70	24,000	56	30,000	52	25,000	63
Third Highest Paid Executive....	39,000	64	21,000	49	28,000	48	20,000	50

¹ The companies studied were of various sizes. The median figures for sales volume for the retail companies were as follows:

	1929	1934
Department Store Companies.....	\$27,740,000	\$21,038,000
Chain Store Companies.....	46,623,000	58,222,000

Sales figures were available for but a few of the industrial companies; hence, typical volume figures could not be prepared.

² It was not considered feasible to prepare median figures for these items for 1934, since the total dollar amounts paid to executives in 1934 were, in several cases, estimated for use in the study and, in many instances, the total number of executives employed was not clearly stated in 1934.

are evident in the case of the industrial concerns where big companies paid their top executives nearly three times as much as did the smaller companies.

The median figures in Tables 18 and 19 indicate the typical dollar compensation of executives. Rather sharply defined differences appear, however, in the figures reported by individual companies. Certain companies pay one officer a high salary as contrasted with payments made to the other senior men. For example, in 1929 the president of one company received \$150,000, \$60,000 as a cash salary and \$90,000 as a bonus. The difference between his salary and that of any of the other senior men was very substantial, the next highest salary being only one-third the president's total compensation. Another rather definite policy is for all top men to receive the same amount with no differential appearing until the fifth or sixth man. One company in 1929 paid each of its top men

\$67,000 and in addition a bonus of \$50,000, making a total of \$117,000 for each of the executives. A third policy, followed by a large number of companies, is to have a small spread in the amounts of total compensation paid to the top four or five men. A typical company paid a vice president \$52,000, the president \$40,000 and its other three top men salaries slightly below \$40,000. In other instances, the top men received either a substantial bonus with no fixed cash salary, or a moderate salary with bonuses at the end of the year. Study of the material submitted by the various companies disclosed no clear-cut standardization in the method of paying executives.

Does High Executive Compensation Mean Large Earnings?

The question is frequently asked whether companies which pay executives relatively large salaries secure more satisfactory earnings than companies

Table 19. Typical Compensation in Dollars Paid to Chief Executives in Retail and Industrial Companies, Classified According to Size of Company: 1934
(Dollar Figures Given in Thousands)

Ranking in Total Compensation of Executives in Individual Companies	Type of Company	Small Companies ¹		Large Companies ¹		Total Companies	
		Number of Companies	Amount (Median)	Number of Companies	Amount (Median)	Number of Companies	Amount (Median)
Highest Paid Executive	Retail Department Store	6	\$48	8	\$69	14	\$61
	Chain	9	36	11	60	20	43
	Total . . . . .	..	..	..	..	34	58
	Industrial	20†	27	17†	76	123†	40
Second Highest Paid Executive	Retail Department Store	6	\$30	8	\$59	14	\$43
	Chain	9	19	11	40	20	24
	Total . . . . .	..	..	..	..	34	30
	Industrial	20†	17	17†	51	123†	25
Third Highest Paid Executive	Retail Department Store	6	\$23	8	\$53	14	\$39
	Chain	9	13	11	38	20	21
	Total . . . . .	..	..	..	..	34	28
	Industrial	20†	14	17†	32	123†	20

† From the data on file at the time of writing this article it was possible to classify only 37 of the 123 industrial companies by size.

¹ The bases used in classifying the companies by size were different for different types of business. The groups were defined as follows:

	<i>Small</i>	<i>Large</i>
Department Store Companies	Sales of less than \$20,000,000 in 1934.	Sales of \$20,000,000 or more in 1934.
Chain Store Companies	Sales of less than \$50,000,000 in 1934.	Sales of \$50,000,000 or more in 1934.
Industrial Companies	Net assets of less than \$27,500,000 in 1929.	Net assets of \$27,500,000 or more in 1929.

which pay their officers smaller amounts. A definite answer to this question, of course, is impossible; but rough tests have been made to determine whether high executive compensation accompanied high percentages of earnings.

For this comparison, the individual company compensation and earnings figures, expressed as percentages of sales, were used, the data for department store companies and for chains being treated separately.

Two separate charts accordingly were prepared for each year correlating earnings and executive compensation percentages for chains and for department store firms. Four of these charts¹, covering the years 1929 and 1932, are presented on page 30. In these charts, each dot represents the executive compensation and earnings percentages of one firm in one year. The distance of a dot from the left hand vertical edge of the chart indicates the percentage of compensation, while the distance from the horizontal or base line measures the percentage of earnings.

Examining first the year 1929, Chart 4 reveals a tendency among chain store companies for total executive compensation percentages to be relatively high for the firms with high rates of earnings. For department stores in 1929, however, as is shown in Chart 5, no clear relationship between the two percentages exists; and indeed, the department store charts for the following years, of which only one, Chart 7, is reproduced here, show no correlation between executive compensation figures and earnings. In interpreting these figures, it must be remembered that bonus payments made up substantially more of the total executive compensation in the case of chains than in the case of department stores, a fact which may account, at least in part, for the pattern shown in Chart 4. Evidence of the influence of the bonus method of compensating executives apparently was found also in the charts for chains covering the years 1930 and 1931. In those years there was some tendency for high payments to officers to accompany high rates of earnings. It is probable that this finding does not reflect the rewarding of men for superior achievements so much as it displays the flexible nature of bonus plans in a period of retrenchment.

To eliminate the effect of bonus payments from the test, figures for seven chains and five department store companies not using incentive com-

pensation plans were examined. These figures are incorporated in Table 20.

Table 20. Executive Compensation and Earnings Figures for 12 Retail Companies Paying Only Salaries: 1929 and 1932
(Firms Ranked According to Percentage of Earnings in 1929 and in 1932, respectively)

1929		1932	
Earnings as a Percentage of Sales	Total Executive Compensation as a Percentage of Sales	Earnings as a Percentage of Sales	Total Executive Compensation as a Percentage of Sales
Chains:			
3.0%	0.2%	Loss 0.9%	1.9%
4.8	0.4	1.9	0.4
7.0	0.3	2.3	0.3
8.0	0.5	3.8	0.3
8.5	0.4	4.5	0.3
8.9	0.4	4.8	0.7
13.7	0.6	5.8	0.3
Department Store Companies:			
Loss 3.3%	1.1%	Loss 3.2%	0.6%
3.0	0.5	Loss 2.5	1.3
5.4	0.9	0.4	1.5
9.0	1.1	4.6	1.1
10.0	0.8	4.7	1.1

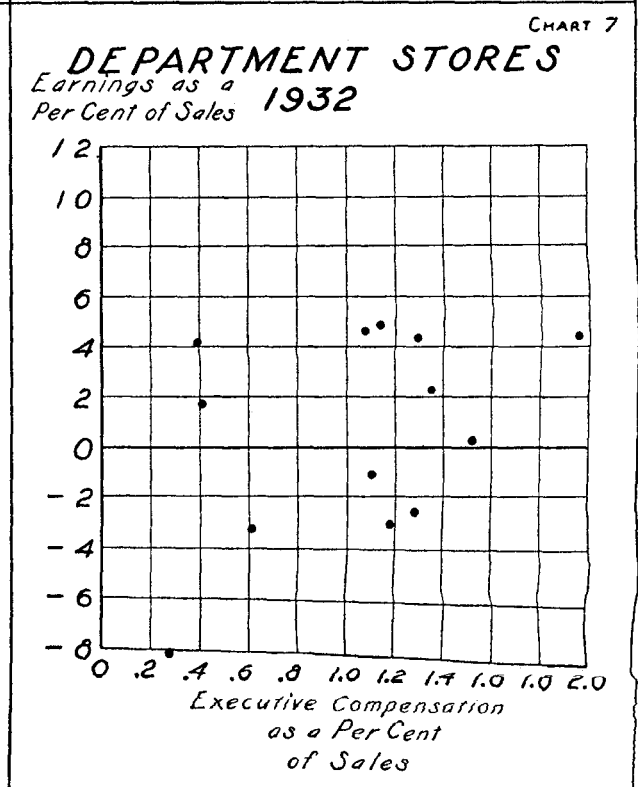
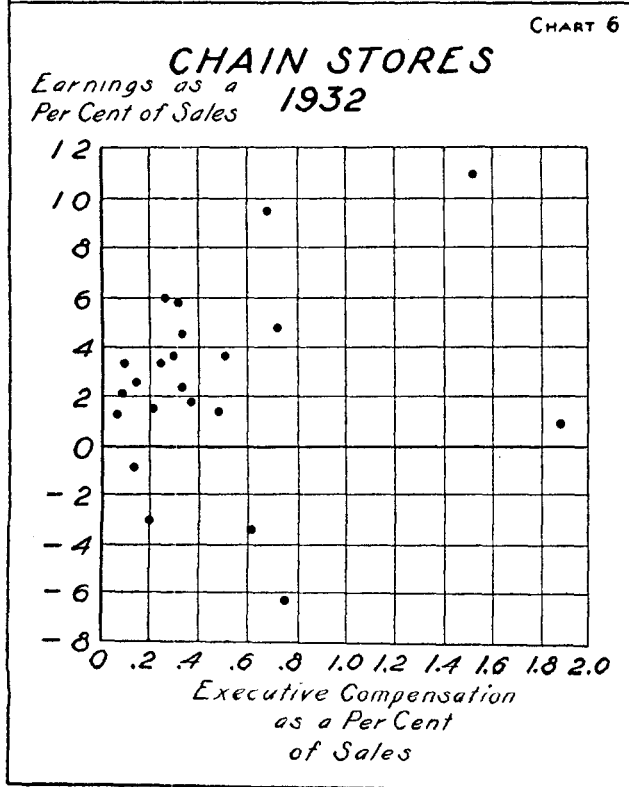
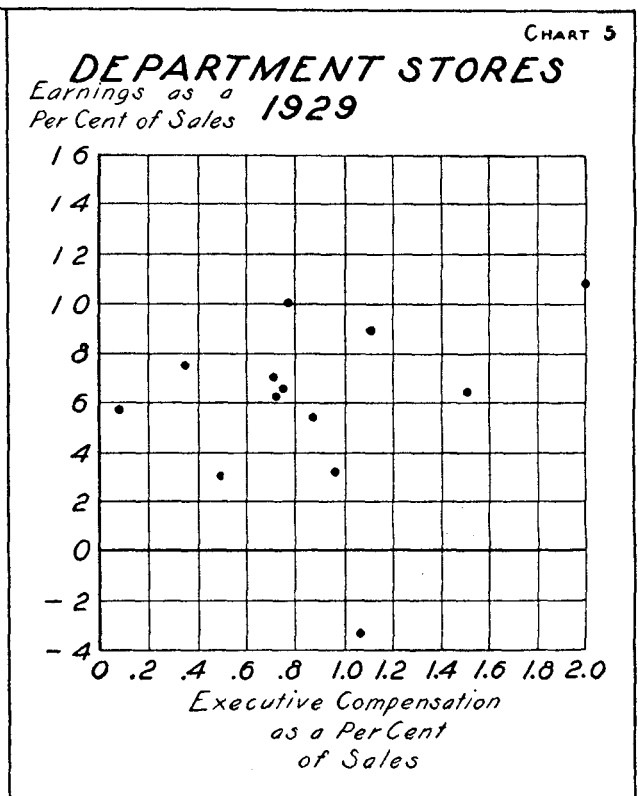
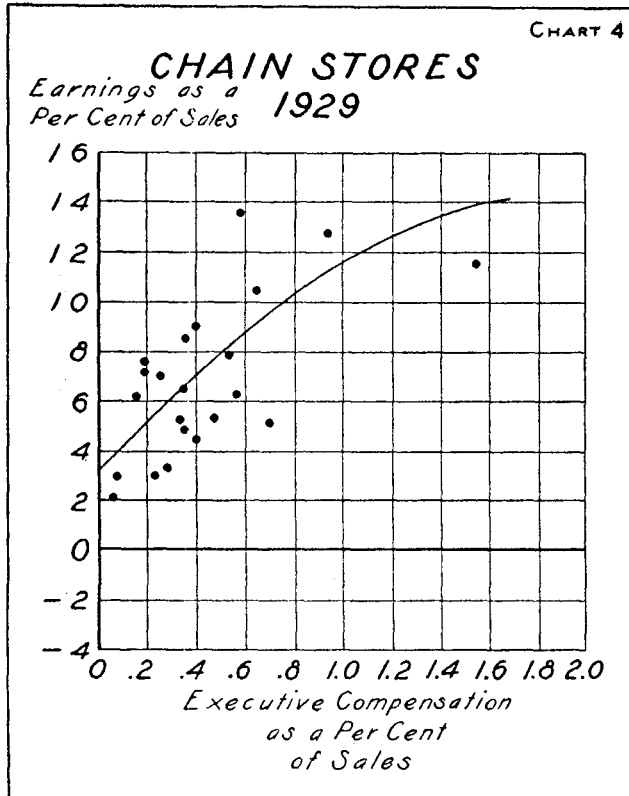
For the very small sample of chain stores it appears that firms with high earnings percentages in 1929 paid relatively high percentages of sales for executive compensation. The same was not true of department stores in that year, nor for either type of firm in 1932, the worst year of the depression.

By 1932 many companies which in earlier years had awarded bonuses were paying little or no extra compensation. In Chart 6, covering the 22 chains for which sales figures were available for that year, there is evidence of no correlation between executive payments and earnings rates, nor do the 1934 data for chains show any tendency for the two figures to vary together.

However, it is recognized that the period covered by the data used in this study is not a fortunate one in which to test the relation of executive compensation to earnings. For the most part, the years covered were depression years of falling sales and earnings, years in which emphasis of necessity had to be placed upon expense reduction. A better test could have been made if material for the years 1924 through 1927 also had been available for examination. Years of increasing prosperity might have revealed a much more pronounced correlation of earnings and compensation percentages.

¹ Sales data were available for all but three of the 38 companies in the years 1929 and 1932. Hence the charts are based on the figures of 22 chains and 13 department store companies.

Charts 4-7. Correlation of Executive Compensation and Earnings in Percentage of Sales for Chain and Department Store Companies: 1929 and 1932



CONCLUSIONS

The study of the compensation of the executive officers of individual retail companies filed with the Federal Trade Commission and the Securities and Exchange Commission covers that chaotic period in business from 1928-1935. From the statistical material available, it has been possible to trace the course of cash payments to executives from a period of high prices and extreme business activity through a period of low prices and depression to the early years of improving business. The purpose of this research has not been to make an exhaustive study of the available material, but rather to assemble in one place as complete information as possible on executive compensation and earnings for retail companies, and by the use of this material to throw light on questions that are being discussed currently.

These questions may be classified broadly into two groups. The first group includes those which relate to the dollar amounts typically paid to retail executives; how these dollar amounts compare with the total dollar sales; and whether the dollar payments are similar to those made to officers in other types of business enterprise. Closely allied to these questions are those concerning the method of determining the amounts paid to executives, or the extent to which incentive compensation plans are used.

The second group of questions embraces such topics as the extent to which executive compensation fluctuates over a period of years in comparison to variations in sales and earnings; the share of earnings going to executives and to stockholders; and whether earnings, executive payments, and dividends differ between companies in which large or small amounts of stock, respectively, are owned by management.

The dollar amounts paid annually to executives varied widely among the 38 retail companies studied. In general, the compensation rates paid by chains were lower than those paid by department stores. In 1934, for example, the highest paid executive in a department store typically received \$61,000 while the highest paid chain executive received \$43,000. Within each of the two retail groups, chain and department store, the larger firms usually paid larger amounts to their officers than did the smaller companies. A comparison of the compensation of the three highest paid men per company in the

retail field with corresponding data for industrial firms disclosed that, with the exception of the highest paid officer in the large industrial companies, the compensation levels in department store companies appeared to exceed those in industrial firms. The amounts paid by chains typically resembled more closely those paid by industrial firms than those paid by department store companies.

From the customer's standpoint, the outlay for executive compensation in retail stores is relatively unimportant. For the years 1928-1934, on the average but 1.0 cents of the consumer's dollar went for executive compensation in department stores and but 0.3 cents in chain stores.

The use of incentive compensation plans in paying executives was common in 1928 and 1929. In 1929, 15 chains and 8 department stores of the 38 firms studied had such plans. Among the chain store firms, bonus payments typically constituted a larger proportion of the total compensation in 1929 than among department store companies.

During the depression years bonus payments were cut severely. Fifteen department store and chain companies having bonus payments amounting to 25% or more of the total executive compensation in 1929, lowered these payments more than 75% by 1932, the rate of reduction in bonuses being fairly uniform over the years 1930, 1931, and 1932. Total dollar compensation for these firms by 1932 typically was reduced to about 50% of the amount paid in 1929, some reduction being made in salaries in addition to the cuts made in bonus payments. For a group of 20 retail companies, with either no incentive compensation plans or with bonus payments amounting to less than 15% of the total compensation paid to executives in 1929, total compensation commonly was reduced by only 11% in 1932 as compared with 1929. These declines of 50% and 11% compare with a decline of 30% in total pay rolls for the general merchandise field (1932 compared with 1929) as disclosed by the figures of the Bureau of Labor Statistics.

It is apparent that among the firms using bonus plans executive compensation followed changing sales and earnings more closely than it did among firms having no such plans. Whether bonus plans were used or not, salaries ordinarily were subjected to a reduction of between 8% and 12% from 1929

to 1932, the decline usually taking place following 1931.

The dollar sales volumes and dollar earnings of retail companies declined substantially from 1929 to 1932. Department stores, however, suffered greater reductions in income than did chains; many of the latter companies were still opening new stores in 1930 and 1931, and the aggregate sales for old and new units in those years were not far below the aggregate sales of 1929.

On the average, executive compensation in department stores did not decline so sharply as did total earnings¹ prior to executive compensation and interest charges. Hence, for the combined seven-year period, the share of such earnings going to department store executives, 19.9%, was greater than it had been in 1929 when about 12% of earnings was paid to executives. Chain store companies, on the other hand, throughout the seven years paid but 7.5% of the earnings to executives, 6.2% of earnings having been so used in the single year 1929.

Over the seven-year period, chain companies typically paid their stockholders somewhat less than 50% of their earnings¹, while department stores paid out somewhat more than 50% of their earnings in dividends. Dividend payments were decreased successively in 1931, 1932, and 1933 by department

store companies, total dividend payments in 1933 commonly amounting to less than 30% of the dividends paid in 1929. It is estimated that payments to department store executives at the same time had been reduced to about 70% of the 1929 figure. Chain store companies were able to hold dividend payments fairly constant until 1932, and in 1933 such disbursements still amounted to 63% of the dividend payments in 1929. During the seven years, chains paid out almost six times as much in dividends as in executive compensation, while department stores paid out not quite three times as much to stockholders as to executives.

Department store executives ordinarily owned about twice as much voting stock in their companies as did chain store executives. Examination of compensation and dividend payments, in the light of the extent of stock owned by management, discloses a tendency for dividend payments to amount to a larger percentage of the earnings in retail companies with little stock owned by management than is the case for firms with large blocks of stock so controlled. No relationship appears to exist between the proportion of stock owned and the percentage of earnings paid to executives, nor was there evidence that large earnings necessarily accompanied extensive stock ownership by management.

¹See definition of earnings, p. 3.

APPENDIX

Source Material

Executive compensation material for this study was derived from reports filed by retail companies with the Federal Trade Commission and the Securities and Exchange Commission. Data on earnings and dividends were obtained from printed annual reports and financial manuals.

The Federal Trade Commission, following Senate Resolution No. 75 of the 73d Congress, designed a form for collecting data from individual corporations concerning executive compensation. A reproduction of the form with figures filed by one of the retail companies for 1929 is given in Exhibit 1. This form was used to assemble figures for the years 1928-1932 and for the first nine months of 1933. No exact definition was supplied for the term, executive. Reporting firms listed the names of their executive officers and directors, designating the position held by each. In effect, therefore, the companies themselves defined the term executive. A study of the statements filed disclosed the fact

Exhibit 1. Federal Trade Commission Salary Schedule for a Retail Company

Name of Company <i>Omitted*</i>	Address <i>Omitted*</i>	Period <i>12 months</i>	Ending <i>Dec. 31, 1929</i>	
Name of Officer or Director	Position	Cash Salary Paid During Year	Other Compensation Paid During Year	Total Cash and Other Compensation
<i>Omitted*</i>	<i>P., D.</i>	\$ 58,250	....	\$ 58,250
"	<i>V.P., D.</i>	58,250	....	58,250
"	<i>V.P., Gen.</i>			
"	<i>Mgr., D.</i>	58,250	....	58,250
"	<i>V.P., T., D.</i>	50,250	....	50,250
"	<i>D.</i>	.....	\$140	140
"	<i>D.</i>	.....	....	.....
"	<i>D.</i>	.....	120	120
"	<i>D.</i>	.....	100	100
"	<i>D.</i>	.....	....	.....
"	<i>D.</i>	.....	....	.....
Total		\$225,000	\$360	\$225,360
		Total Assets	*	
		Net Income	*	

* The name of the company, as well as the names of the officers and some significant figures, were omitted because of the desire of the author not to bring any one company or any group of men into prominence. Otherwise, the above material is a true copy of the returns which are on file with the Federal Trade Commission.

that, in general, the compensation of only the senior or top men, ordinarily described as officers, was reported. These men usually held such key positions as chairman of the board, director, president, vice president, treasurer, store manager, and controller.

In connection with the form used by the Federal Trade Commission, it will be well to call attention to the column requesting figures for other compensation paid during the year. The entries of less than \$1,000 in this column often were merely nominal fees to directors. When amounts in excess of \$1,000 were entered for officers, the payments were considered to be bonuses in addition to the salaries noted in the preceding column.

The Securities and Exchange Commission, following the Securities and Exchange Commission Act of 1934, collected data from individual corporations on many aspects of company operation, including executive compensation, methods of paying officers, and ownership of company stock by executives. The compensation material reported to the Securities and Exchange Commission was somewhat more difficult to interpret than that submitted to the Federal Trade Commission. The questionnaires used differed from those employed by the Federal Trade Commission and were not the same for 1935 as for 1934. A reproduction of Item 9 of Form 10K filed by one of the retail corporations for 1935 is given in Exhibit 2.

It was necessary to examine carefully the material filed with the Securities and Exchange Commission, in order to prevent the inclusion in the study of data for highly paid non-executive employees. Section (a) of Item 9, for example, provided for reporting the amounts paid to employees if they were among the three highest paid men in the company.¹ The material reported under section (d) also was excluded from consideration. It is at once apparent from a review of Exhibit 2 that the information on executive compensation for 1935 collected by the Securities and Exchange Commission was not so explicit as that assembled by the Federal Trade Commission. The questionnaire used for 1934 by the Securities and Exchange Commission, however, was somewhat more detailed. In Form 10, used for that year, provision was made for the listing of each individual

¹ Except in a very few instances among the 38 retail companies studied the three highest paid men held executive positions.

director with his remuneration and an indication of the position held in the company, if the director had responsibilities in addition to his duties as a director. Other sections of the question on executive compensation provided for the reporting of compensation paid to the three officers receiving the highest aggregate amounts of remuneration and the aggregate remuneration of all other officers, stating the

**Exhibit 2. Securities and Exchange Commission
Salary Schedule (Item 9 of Form 10K)
for a Retail Company**

9. Give the information required below in tabular form concerning the aggregate remuneration paid by the registrant and its subsidiaries, directly or indirectly, to the following persons in all of their capacities:
- The name and aggregate remuneration of each person among the officers, directors and employees of the registrant receiving one of the three highest aggregate amounts of remuneration.
 - The aggregate remuneration of all directors of the registrant: indicate the number of such directors without naming them.
 - The aggregate remuneration of all officers, other than those who are directors, of the registrant: indicate the number of such officers without naming them.
 - The aggregate remuneration of all employees of the registrant who, respectively, received remuneration from the registrant in excess of \$20,000 within the fiscal year: indicate the number of such employees without naming them.

Name, or Number of Persons Not Named	Capacities in Which Remuneration Was Received	Aggregate Remuneration Within Registrant's Fiscal Year
(a) Omitted*	<i>Chairman of the Board</i>	\$ 36,589.72
“	<i>President and Director</i>	58,250.00
“	<i>Vice President and Director</i>	75,000.00
		<u>\$169,839.72</u>
(b) 8	<i>Directors</i>	\$225,199.84
(c) 10	<i>Officers</i>	\$117,354.46
(d) 1	<i>Merchandise Manager</i>	\$ 21,999.72

* The name of the company, as well as the names of the officers, were omitted because of the desire of the author not to bring any one company or any group of men into prominence. Otherwise, the above material is a true copy of one of the returns which are on file with the Securities and Exchange Commission.

number of such officers without naming them. Both Form 10 and Form 10K required that corporations furnish a list of all officers and directors with the positions held by each. Here, as was the case in the questionnaires used by the Federal Trade Commission, reporting companies were forced to define the term, executive. Although the lists of executives did not appear in connection with the compensation material, they could be used in interpreting the figures.

There was a tendency for firms filing data with the Securities and Exchange Commission to report compensation figures for a larger group of men than they did in response to the Federal Trade Commission questionnaire. The definition of the term, executive, was broadened. It was necessary in using the figures from the two sources to study carefully all the material available for each company and so to adjust the figures for 1934 and 1935 that they might be approximately comparable with the data for 1928 through 1932. For each company the lists of official positions reported in the early years were compared with the lists filed with the Securities and Exchange Commission. In some instances the two groups were the same. In other cases, however, it seemed desirable to limit the lists of officers reported in 1934 and 1935 to groups corresponding to the groups reported in earlier years. This necessitated substituting lower total compensation figures for the aggregate figures reported by the corporations for 1934 and 1935. In arriving at such estimates for these years, consideration was given to the compensation paid to the three highest paid officers throughout the entire period. It was believed that percentage changes in the total compensation of all officers would be similar to percentage changes in the compensation of the three highest paid men.

The reports submitted both to the Federal Trade Commission and to the Securities and Exchange Commission referred mainly to parent companies and did not necessarily include figures for any independent subsidiaries; such subsidiaries were not required to submit compensation data. The figures used in the study, therefore, were for officers in the “top” companies.

It is also to be remembered that the compensation figures given were for dollar remuneration only. No consideration has been given to payments made in the form of warrants or options to purchase stock in the company served. Such warrants and options were granted by certain of the retail companies, particularly the chains, in addition to the dollar remuneration.