EXECUTIVE COMPENSATION PRACTICES OF RETAIL COMPANIES

1928–1937

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FOREWORD

The social importance of able public spirited executives in our business corporations was never clearer than it is at this time. One of the conditions on which private employment may be increased is that the leaders of American business learn to direct successfully the organizations for which they are responsible under far more difficult conditions than ever before. I am not referring to the political action without which full private employment is probably impossible, nor am I raising any questions as to the conditions which will exist if too rapid and too prolonged "reform" drives us into either Fascism or Communism. The changes made thus far, with the constant multiplication of red tape, the difficulty placed in the way of long-time investment, and the huge increase in taxes, present and prospective, will under the most favorable conditions add greatly to the burdens on management, and consequently to the difficulty of restoring employment.

Under these conditions any research which throws light on the incentives that produce able leaders when they are needed becomes of importance. Clearly there are many types of incentive, other than financial, some of which are difficult to appraise in any way. For over a hundred years success in business with consequent employment of labor and profits earned by capital was highly esteemed in this country. This public esteem has attracted able men into business as a career. Perhaps an undue proportion of our able men was brought into this field. Certainly politics suffered — and still suffers — by comparison. Today the danger is the other way. Competent men starting their careers may be influenced against business by such words as "economic royalists," applied indiscriminately to a whole group in spite of the fact that ethical standards in most kinds of large business have been in my judgment at least as high as in any of the professions and certainly higher than in local politics. If such indiscriminate attacks keep too many able and public spirited men from entering business, the outlook for our democracy is dark indeed.

A second form of incentive of great importance has been the opportunity offered by business for the acquisition and constructive use of power to do worthwhile things. This incentive also has been weakened in the last decade to a dangerous degree. The most curious part of the situation is the extent to which the man of ability and imagination but with limited capital has been handicapped in building up his own business, and the preference, unintended of course, which has been given to the well-established, powerful corporation. High taxes, elaborate rituals surrounding the issue of securities, and complicated accounting routines imposed by law bear hardest on the small man. Thus the incentive offered by the opportunity to go into business for one's self and, if successful, the subsequent chance to acquire power and use it constructively have been weakened dangerously. Yet the general social importance of adequate leadership in business is increased by the unemployment situation, on the one hand, and by the growth in size of business units, on the other. Society cannot long tolerate widespread unemployment such as we now have, and the failure of great companies employing many thousands of men is far more serious than the scattered failures of small companies. Under the most favorable circumstances, the development of able leaders in any

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field of human endeavor, whether teaching, science, or business, is a slow and difficult process. When conditions are sufficiently unfavorable, leaders of necessary quality may not develop. Examples are too common in business today of areas like the railroads, in which conditions have stifled the growth of sound leadership and where its lack has been one of the contributing influences which have brought on serious difficulties.

The two incentives above mentioned, public esteem for accomplishment and the opportunity for constructive success in personal business, have in my judgment been at least as important in the past as financial incentives. Nevertheless, the fact that men without capital but with sufficient ability, imagination, and vigor have been able to realize substantial financial success has been one of the greatest forces at work in upbuilding this nation. Something of tragic importance has happened if this kind of financial incentive has disappeared for good out of our economy.

The entire problem of leadership or management at every level has been too little examined and is consequently too little understood. One reason for this has been the failure of sociologists and economists, with certain notable exceptions, to study objectively management and management problems; another has been the lack of interest of business leaders themselves in the encouragement of such studies. We have had great wealth devoted to research in physics and chemistry, but outside of the medical field comparatively little to the study of human problems.

Such questions, therefore, as how can society secure, perpetuate, and reward adequate leadership, and change it when it is no longer successful, present great opportunities for research. These questions must be answered if free enterprise is to continue to flourish in this country.

The particular research here published has to do with a limited aspect of the problem of business incentives, namely, those offered to executives in retail stores. It follows an earlier study published by Mr. Baker in 1937 on *The Compensation of Executive Officers of Retail Companies: 1928–1935*, and broadens that study to include the plans used by such companies in paying executives, including such questions as cash salaries, formal and informal bonus plans, retirement pay, contracts, options and stock purchase plans, their advantages and disadvantages, and their functioning.

The opportunity for such studies was given when Senate Resolution No. 75, 73rd Congress, 1st Session, 1933–1934, was passed, requesting the Federal Trade Commission to collect data on amounts paid to the officers of listed corporations, and when the Securities and Exchange Commission law was passed, authorizing the collection of data on methods used and amounts paid by listed corporations. With the basic material thus made available, and *pari passu*, an increase of interest in these matters by companies themselves, a careful study of such problems became possible.

The present monograph follows and is based in part upon the earlier monograph on compensation of retail executives. It is one of a series of studies based on this information. The first of these was an exploratory article, published in 1935 by Professor W. Leonard Crum and Mr. Baker in the *Harvard Business Review*, entitled "Compensation of Corporate Executives: The 1928–1932 Record." This article attempted to bring together the facts about payment of corporate executives and the fluctuations over a series of years. The sources were mainly the Federal Trade Commission and Treasury Department figures.

One of the earliest conclusions reached was that no general pattern of amounts paid or methods used applied to the entire field of business. It was clear that

a general study concealed in a capricious way many fundamental variations between groups of corporations. Department store company practices and policies, for example, varied widely from those of industrial companies; and those of large companies differed from those of small companies. These variations suggested the desirability of special studies in particular fields of business.

The present monograph includes in a statistical appendix information showing not only the total dollar payments to executives but their fluctuations over a period of years as well as the relations of these amounts to sales and to earnings. These data make possible a comparison of the amounts paid to stockholders or owners, on the one hand, and to management or executives, on the other. In the future more attention rather than less will be given to the division of profits between these two groups of interests.

WALLACE BRETT DONHAM,
Dean

Boston, Massachusetts
July, 1939

ACKNOWLEDGMENT

Financial help from the William F. Milton Fund and the Joseph H. Clark Bequest has made this study possible, as it has several of my earlier projects. I am deeply indebted for the continuing assistance that I have received from these funds.

The labor of analyzing the data of the Securities and Exchange Commission on plans used in paying executives, annual company reports, and other material on which this monograph is based was great, and I have had the assistance of a number of persons from time to time. I am greatly indebted to those who made the completion of this work possible. I owe special thanks to Miss Esther Love, Miss Marion White, Mr. Peter Cogan, and Mr. Arthur R. Hodgson, Jr.

Also I am appreciative of the cooperation and the courteous help of the members and certain employees of both the Federal Trade Commission and the Securities and Exchange Commission. Finally, I must acknowledge assistance from many of my colleagues and numerous business executives with whom I frequently discussed the involved problems in the field of executive compensation.

JOHN CALHOUN BAKER

Boston, Massachusetts
July, 1939

APPENDIX I

SOURCE MATERIAL

The compensation plans for executive officers of retail companies, like those of industrial companies, have long been shrouded in corporate secrecy. Prior to 1933, data regarding them often were treated as highly confidential, even at annual meetings of stockholders. Now, however, by virtue of the disclosures by the Securities and Exchange Commission and other governmental bodies, such information has become for the most part public property, and the foregoing study is based mainly on this material.

The bulk of the descriptive data on bonus arrangements and methods of paying executives was secured from Item 29 of Form 10, the application filed by corporations for permanent registration with the Securities and Exchange Commission.[1] Item 32 often furnished supplementary material where the bonus arrangements were of a contractual nature. The questions as they appear on the form, followed by the replies submitted by one of the companies, are given below:

29. General effect, briefly and concisely stated, of material bonus and profit-sharing arrangements now in effect; including the name of, and amount received by, each person who received as bonuses or shares in profits $30,000., or more, from the registrant or its wholly-owned subsidiaries, during the past fiscal year.

None, except the one referred to in answer to Item 32.

. . . . . .

32. Dates of, parties to, and general effect briefly and concisely stated of every material contract, except as provided by the Instructions, between the registrant and any director or officer of the registrant, any underwriter named in answer to Item 23, or any security holder named in answer to Item 25.

Contract dated. Feb. 12, 1930.

Between. *Registrant and ———— Vice President*

General Effect. *10 year service contract expires Feb. 1, 1940.*

$25,000. per year plus 500 shs. Registrant's Common Stock each year plus—either

$5,000. per year if profits of his departments exceed $100,000. yearly and do not exceed $200,000. yearly

or

$10,000. per year if profits of his departments exceed $200,000. yearly.

On Form 10K, the annual report submitted subsequent to permanent registration, and for the purposes of this study covering data for 1935, 1936, and 1937, corresponding information was requested under Items 5 and 10. Item 5 reads as follows:

5. State briefly the general effect of: (a) Material changes, made within the fiscal year and not previously reported, in contracts and arrangements of the categories enumerated below which have been previously reported; (b) such contracts and arrangements, made or in effect within the fiscal year and not previously reported, including the dates thereof and names of parties thereto.

(i) Material management or general supervisory contracts providing for management of, or services to, the registrant or any of its subsidiaries.

(ii) Material advisory, construction or service contracts with affiliates providing for management of, or services to, the registrant or any of its subsidiaries.

(iii) Material contracts, except as provided by the instructions, between the registrant or any affiliate of the registrant on the one hand, and, on the other hand, any director or officer of the registrant, any principal underwriter of any securities of the registrant sold by the registrant within the past 3 fiscal years, or any security holder named in answer to item 3.

(iv) Material bonus and profit-sharing arrangements.

[1] For most of the companies considered in this study, data submitted on Form 10 related to the fiscal year 1934.

NOTE: Names of companies, as well as names of officers and any significant figures which might make possible identification of the company, are omitted throughout the Appendices; the author does not wish to bring any group of men into prominence. Otherwise, the examples given throughout Appendix I, including those in Exhibits A, B, and C, are exact copies of returns which are on file with the Federal Trade Commission or the Securities and Exchange Commission.

A typical answer was:

(a) *No material changes were made within the fiscal year in contracts and arrangements of the categories listed above which have been previously reported; and*

(b) *No such contracts and arrangements were made or in effect within the fiscal year which had not previously been reported.*

Item 10 required information on cash bonuses in excess of $30,000. The question with the reply most commonly made by the 38 retail companies is given below:

10. State the name of, and amount received by, each person who received as bonuses or shares in profits $30,000, or more, from the registrant or its wholly-owned subsidiaries, during the fiscal year.

None

Options to purchase stock were reported in Item 33, Form 10, and Item 6, Form 10K. Frequently data on contracts submitted in Item 32, Form 10, and Item 5, Form 10K, furnished supplementary information. The following is Item 33 as taken from the application for permanent registration filed by one of the retail companies examined:

33. As to any securities subject to options to purchase from the registrant; (a) state the amount, with the title of the issue, called for by such options; (b) state briefly the prices, expiration dates, and other material conditions on which such options may be exercised; (c) give the name and address of each person holding options from the registrant calling for more than five per cent. of the total amount subject to option, and give the amount called for by the options of each such person; and (d) for each such class of options granted within three years state the consideration for the granting thereof.

None

The report of the same company for the following year (1935) read thus:

6. As to any options outstanding at the close of the fiscal year to purchase securities of the registrant from the registrant;

(a) state the amount, with the title of the issue, called for by such options;

12,000 shares of the registrant's common stock, par value $1 per share.

(b) outline briefly the prices, expiration dates, and other material conditions on which such options may be exercised;

(1) Under the terms of an executive employment agreement an option has been granted for the purchase from the registrant of its common stock at $16 per share, up to a total of 12,000 shares proportionately over a three-year period (term of employment) commencing February 1, 1936.

(2) At any time during said term of employment and within thirty days thereafter, or, in case for any reason such employment shall terminate prior to the expiration of said term, within thirty days after such termination, grantee may purchase at said price a proportionate part of said twelve thousand shares equivalent to the proportionate part of said three-year term of employment which shall then have been completed (less such number of shares, if any, as shall have been previously purchased pursuant to this option) or any less number of shares.

(3) In case grantee shall die during said term of three years said option may be exercised by such person or persons as he may designate in his will duly admitted to probate, or, failing such designation, by the executor of such will, or if there be no such will, by his administrator, and in any such case the option shall be exercised within ninety days after the granting of letters testamentary or of administration. The number of shares which may be so purchased shall be the number of shares which grantee would have been entitled to purchase pursuant to said option had he been living and continuing in said employment at the end of the month in which his death shall have occurred.

(4) Option not assignable.

For the years 1928 through 1933 the source of data on actual dollar payments to executives was the Federal Trade Commission's salary schedule, shown as Exhibit C. Particular attention should be given to the column requesting data for other compensation paid during the year. Small regular amounts, usually multiples of $20, $50, or $100, and less than $1,000 were considered to be directors' fees, while large, frequently irregular amounts were treated as bonuses.[1] From 1934 on, as indicated in the example given earlier of Item 29 of Form 10, and Item 10, Form 10K, only bonuses

[1] Federal Trade Commission reports for the year 1933 gave figures for actual cash salary as of September 1. Since any additional payments for that year were not given, figures for 1933 are omitted in most cases, and where used, are merely carefully arrived at estimates.

Exhibit A — Securities and Exchange Commission Salary Schedule

(Item 26 of Form 10 for 1934)

26. 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:

(a) The name and aggregate remuneration of each director of the registrant.

(b) The name and aggregate remuneration of each of the officers of the registrant receiving the three highest aggregate amounts of remuneration.

(c) The aggregate remuneration of all other officers of the registrant, whatever the amount of the respective remuneration of each; indicate the number of such officers without naming them.

(d) The aggregate remuneration of all employees of the registrant who, respectively, received remuneration from the registrant in excess of $20,000 during the past 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 during Registrant's Past Fiscal Year	
		Salaries	*Directors Fees*
(a) *Omitted*	*Chairman of Board*	$ — 0 —	$ — 0 —
"	*Director and President*	56,071.48	— 0 —
"	*Director and Vice-President*	28,162.95	— 0 —
"	*Director and Vice-President*	28,162.95	— 0 —
"	*Director, Vice-President and Treasurer*	21,122.21	— 0 —
"	*Director*	— 0 —	200.00
"	"	— 0 —	200.00
"	"	— 0 —	100.00
"	"	— 0 —	50.00
"	"	— 0 —	100.00
"	"	— 0 —	100.00
(b) *Omitted*	*President*	$56,071.48	
"	*Vice-President*	28,162.95	
"	" "	28,162.95	
"	" "	28,162.95	
(c) 2	*Officers*	$42,244.42	
(d) 5	*Executives*	$106,750.06	

All above remuneration was paid by *Omitted*.

Author's Note: "All other officers" in section (c) was variously interpreted by the reporting companies to mean all other officers not directors, all other officers not receiving any of the three highest amounts of remuneration, and all other officers not directors and not among the three highest paid. It was often exceedingly difficult to decide which interpretation a reporting firm had used.

Exhibit B — Securities and Exchange Commission Salary Schedule

(Item 9 of Form 10K for 1935, 1936, and 1937)

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:

(a) 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.

(b) The aggregate remuneration of all directors of the registrant; indicate the number of such directors without naming them.

(c) The aggregate remuneration of all officers, other than those who are directors, of the registrant; indicate the number of such officers without naming them.

(d) 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*	*Director and President*	$84,195.63
"	*Director and Vice-President*	84,195.63
"	*Director and Chairman of the Board*	75,010.00
(b) 11	*Directors and/or Officers*	$294,531.26
(c) 3	*Officers*	$97,030.00
(d) 3	*Merchandise Managers*	$87,818.24*

* This amount represents payments to other than officers and directors.

of $30,000 or more to individual executives were reported to the Securities and Exchange Commission; however, the figures for the total compensation of each of the three highest paid men in a company were reported, and aggregate salary figures were given for the rest of the executive group. The compensation figures reported to the Securities and Exchange Commission were somewhat more difficult to interpret than those submitted to the Federal Trade Commission; not only did the questionnaires differ from those used by the latter

Exhibit C — Federal Trade Commission Salary Schedule

Name of Company *Omitted*	Address *Omitted*	Period *12 months*		Ending *12/31/30*
Name of Officer or Director	Position	Cash Salary Paid During Year	Other Compensation Paid During Year	Total Cash and Other Compensation
Omitted	*Chr. Bd.*	*$75,000*		*$75,000*
"	*P. & D.*	*60,000*	*$3,000*	*63,000*
"	*V.P., D.*	*60,000*	*3,000*	*63,000*
"	" "	*50,000*		*50,000*
"	*V.P., S. & A.T.*	*20,589*	*7,500*	*28,089*
"	*T. & A.S.*	*16,542*		*16,542*
"	*V.P., A.S.*	*5,029*		*5,029*
"	*D.*		*20*	*20*
"	"		*40*	*40*
"	"		*60*	*60*
"	"		*80*	*80*
"	"		*120*	*120*
"	"		*20*	*20*
"	"		*60*	*60*
"	"		*140*	*140*
"	"		*160*	*160*
Total		*$287,161*	*$14,200*	*$301,361*

Total Assets *Omitted*
Net Income "

commission, but the forms used in 1935, 1936, and 1937 differed from those used in 1934. Reproductions of the 1934 form and of the form used for the later years, including actual figures filed by one of the companies in the group studied, are shown as Exhibits A and B.

Because the information requested by the Securities and Exchange Commission was not so explicit as that requested by the Federal Trade Commission, reports from the former commission had to be analyzed carefully to prevent inclusion of highly paid non-executive employees. All the material available for each company from both sources was examined, and the figures for the later four years were so adjusted as to make them approximately comparable with the figures reported for the earlier years. Firms filing data with the Securities and Exchange Commission, for instance, sometimes reported figures for a larger group of men than they did in response to the Federal Trade Commission questionnaire. In such cases it seemed desirable to limit the lists of officers reported in 1934–1937 to groups corresponding to those reported in the earlier years, 1928–1932. This necessitated occasionally substituting lower total compensation figures than the aggregate figures reported by the Securities and Exchange Commission.

APPENDIX II

SUPPLEMENTARY STATISTICS

In March, 1937, the Harvard Bureau of Business Research published a monograph, the seventeenth in a series of Business Research Studies, and entitled *The Compensation of Executive Officers of Retail Companies, 1928–1935*. This study, based mainly on Federal Trade Commission and Securities and Exchange Commission statistical data, analyzed dollar payments to retail executives, showing the year-to-year change in these payments as well as the relationship of such dollar executive compensation to sales and corporate earnings. Since this report is out of print, some of the most significant figures presented in it have been repeated together with data for 1936 and 1937 in Exhibits D, E, and F of this bulletin.

For the purpose of this analysis, several definitions are needed. Earnings is defined as net income after all charges including depreciation and Federal taxes, but before executive compensation and interest. Earnings before executive compensation is used so that the remuneration of officers may be related to their achievements as measured by company income before executive payments and so that payments to executives and dividends to stockholders may be compared with a common base. Because of the numerous statistical difficulties, interest is not included in expense in arriving at earnings.

Who constitute the executive group? This question cannot be answered by a brief specific definition since the classification differs somewhat among the companies. Executive functions naturally vary 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 this study.

Since the compensation data for the first five years covered by the study were secured from reports 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 filed 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 1934–1937 from the Securities and Exchange Commission 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.

In order to provide some indication of the relative level of executive payments in the various retail companies the total dollar compensation of presidents for the years 1929, 1932, 1934, and 1937 is shown in Exhibit D. It will be noted that for each of the years specified, the presidents of the 15 department and specialty stores *on the average* received more than did the presidents of the 23 chain store companies.

Exhibit E (columns 1–6) contains percentage figures for individual companies for executive compensation in relation to earnings and sales and for earnings in relation to sales for 1929 and 1937. For the 38 retail companies, the median for executive compensation as a percentage of earnings was 8.0% in 1929 and 14.2% in 1937.

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

Exhibit D — Compensation of Presidents of 15 Department and Specialty Store Companies and 23 Chain Store Companies: 1929, 1932, 1934, and 1937

(Ranked According to Compensation in 1929)

Company	1929	1932	1934	1937
Department and Specialty Store Companies:				
The Outlet Company	$39,999	$37,407	$32,400	$33,048
Arnold Constable Corporation	50,000	36,658	30,200	30,200
Gimbel Brothers, Inc.	50,000	41,249	46,220	84,000
Marshall Field & Company	50,000	60,000	60,000	75,000
Abraham & Straus, Inc.	58,250	51,431	57,500	75,000
Bloomingdale Bros., Inc.	75,000	54,615	60,962	75,000
Kaufmann Department Stores, Inc.	75,700	68,555	61,098	72,400
Oppenheim, Collins & Co., Inc.	76,377	57,370	*	17,500
The Fair	84,309	92,500	60,000	60,000
Franklin Simon & Co., Inc.	87,589	70,030	35,000	25,244
Wm. Filene's Sons Company	100,000	89,333	80,000	80,000
The May Department Stores Company	100,000	90,000	100,075	100,175
R. H. Macy & Co., Inc.	139,240	127,002	112,217	100,360
Best & Co., Inc.	152,288	60,000	130,095	114,740
Associated Dry Goods Corporation	200,000	73,166	60,000	75,000
Median	$76,377	$60,000	$60,000	$75,000
Chain Store Companies:				
Frank G. Shattuck Company	$13,300†	$12,004†	$16,000†	$37,385
J. J. Newberry Co.	18,000	13,500	*	24,583
Davega Stores Corporation	19,317	23,542	21,787	24,080
J. C. Penney Company	21,799	0‡	0‡	*
McLellan Stores Company	23,916	30,000	24,000	44,000
Neisner Brothers, Inc.	24,000	24,000	36,000	36,040
McCrory Stores Corporation	25,000	93,326	*	77,428
The Grand Union Company	25,200	37,386	36,000	36,260
First National Stores Inc.	26,000	20,000	27,540	30,040
G. R. Kinney Co., Inc.	37,306	6,972§	20,000	20,000
S. H. Kress & Co., Inc.	40,000	35,653	40,000	40,000
Safeway Stores, Incorporated	40,000	51,729	37,500	76,951
Peoples Drug Stores, Incorporated	50,000	45,000	50,000	50,000
The Kroger Grocery & Baking Company	50,000	53,077	77,756	75,000
Walgreen Co.	52,000	48,966	36,900	36,000
W. T. Grant Company	65,227	32,796	56,071	65,349
Schulte Retail Stores Corporation	104,166	0‡	18,000	*
Jewel Tea Co., Inc.	105,967	72,043	87,860	100,350
National Tea Co.	108,000	73,500	60,000	21,600
S. S. Kresge Company	239,175	18,000	106,365	88,750
Sears, Roebuck and Co.	250,320	83,688	81,818	100,000
Montgomery Ward & Co., Incorporated	430,874	99,999	100,000	100,390
F. W. Woolworth Co.	726,957	637,170	337,479	200,414
Median	$40,000	$35,653	$37,500	$40,000¶
All Companies:				
Median	$55,125	$51,580	$56,071	$62,674¶

* Data not available.

† Apparently the Chairman of the Board was the chief executive officer in 1929, 1932, and 1934. He received in those years $66,000, $55,021, and $41,840 respectively.

‡ The president of this company was one of the principal stockholders.

§ The executive receiving this amount may not have been president for the entire year. The preceding president, listed as Chairman of the Board for 1932, received $13,053.

¶ The median reflects estimated figures for J. C. Penney Company and for Schulte Retail Stores Corporation.

When the firms were classified by type, the median percentage for this item was at least twice as great for the 15 department and specialty store companies as for the 23 chain store companies. Although both groups paid more to executives in relation to earnings in 1937 than in 1929, the difference was again much greater for the former than for the latter group. Figures for earnings as a percentage of sales (columns 5 and 6) and the index of change in executive compensation (columns 9–18) show clearly that this situation was due to a pronounced lowering of the earnings of department and specialty stores as a percentage of sales for 1937 as compared with 1929, which more than compensated for the drop in executive payments.[1] Among the chain store companies, however, payments to executives in 1937 had on the average reached 1929 levels, while earnings had not yet reached similar levels.

Medians for executive compensation as a percentage of sales for 1929 and 1937 were respectively 0.5% and 0.6% for the 38 companies, 0.4% and 0.3% for the chain store companies, and 0.8% in both years for the department and specialty stores. Since dollar executive compensation fluctuates comparatively little during a business cycle, differences in these percentages reflect mostly differences in the level of sales in the two years. For the 15 department and specialty store companies, sales were on the average about 10% lower in 1937 than in 1929, while for the 23 chains, probably in part as a result of continued expansion, sales were about 25% higher than in 1929.

Earnings as a percentage of sales were typically 6.4% in 1929, the same for both groups separately and combined. As previously noted, this median percentage was lower in all cases in 1937, but more appreciably so for the department and specialty store group than for the chain store group.

Columns 7 and 8 indicate by company the number of individuals classified as executives in 1929 and 1937 and, in so far as could be determined, refer only to full-time executives. The median number of such executives employed in 1929 was eight for both groups. Although there was a slight decrease in the intervening years, the median was again eight in 1937 for chain store companies and six for department and specialty stores. Figures for 1937 are largely estimates.

[1] Earnings in 1937 for department and specialty stores on the average were about 50% lower than 1929 and for the chain store companies slightly over 10% lower.

The indices[2] presented in columns 9–18 show that, so far as is known, low points in total dollar executive payments typically occurred in 1932 for both chain store companies and the 38 retail companies combined, with figures 28% and 18% below 1929 levels respectively. Payments for these two groups may have been even lower in 1933, as was undoubtedly the case among department and specialty stores.[3] From the figures available from 1929 through 1936, it appears that payments made by department and specialty stores on the whole fell more hesitantly and less sharply than those of chains and recovered more slowly and less completely. In 1936, typical department and specialty store executives were receiving 90% and typical chain store executives 96% of the compensation they had received in 1929. In 1937 the chain store payments had on the average returned to the 1929 level, but in department and specialty stores they had dropped to 21% below 1929. It should be pointed out, however, that average dollar payments to individual department and specialty store executives had over the entire period been substantially higher than similar payments to individual chain store executives.

Exhibit F presents graphically fluctuations in executive compensation for the 38 retail companies combined, as well as typical changes in earnings, balance available for dividends, and total cash dividends. The exhibit shows clearly that executive compensation fluctuated least of the four series. The indices for earnings and balance available for dividends closely paralleled each other, both falling off sharply after 1929, the one to a low of about 40% of the 1929 level in 1932 and the other to a low in the same year which was less than 30% of 1929. Both series

[2] 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 in the years 1928–1937. These figures, furthermore, were not subject to estimate as were the figures for all executives. The analysis of the two series revealed that the compensation of all executives and of the three highest paid fluctuate 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 1934–1937 were not far out of line. For a more complete discussion of the results for 1928–1936, see *Executive Salaries and Bonus Plans*, pp. 59–60, 70.

[3] From the records of the Harvard Bureau of Business Research it was found that over the period from 1929 to 1936, 22 department stores reporting sales of $10,000,000 or more each in 1929 typically made their smallest total payments to executives in 1933. See *Executive Salaries and Bonus Plans*, p. 58.

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Exhibit E — Executive Compensation as a Percentage of Earnings[1] and of Sales, Earnings as a Percentage of Sales, and Number of Executives: 1929 and 1937; Fluctuation in Executive Compensation: 1928–1937[2]

(15 Department and Specialty Stores and 23 Chain Store Companies)

Company	Executive Compensation				Earnings	
	% of earnings		% of sales		% of sales	
	1929	1937	1929	1937	1929	1937
	(1)	(2)	(3)	(4)	(5)	(6)
Marshall Field & Company	1.3%	†	0.1%	0.3%	5.7%	*d.*0.7%
Safeway Stores, Incorporated	2.4	3.8%	0.1	0.04	3.0	1.0
J. C. Penney Company	2.5	2.3	0.2	0.1	6.1	6.2
Sears, Roebuck and Company	2.5	*	0.2	*	7.6	*
McCrory Stores Corporation	2.8	6.0	0.2	0.4	7.0	6.2
The Kroger Grocery & Baking Company[4]	2.8	5.3	0.1	0.1	2.1	1.3
Walgreen Co.[4]	3.5	5.5	0.3	0.2	7.0	4.3
Neisner Brothers, Inc.	4.3	8.6	0.4	0.5	8.5	5.7
Frank G. Shattuck Company[4,5]	4.3	15.3	0.6	0.7	13.7	4.9
S. H. Kress & Co.[4]	4.4	3.7	0.4	0.3	8.9	6.9
R. H. Macy & Co., Inc.	4.7	8.1	0.3	0.3	7.5	3.8
J. J. Newberry Co.	5.4	5.7	0.4	0.3	6.5	5.4
S. S. Kresge Company	6.2	4.6	0.6	0.3	10.4	7.4
Montgomery Ward & Co., Incorporated	6.2	2.1	0.3	0.1	5.4	4.7
Davega Stores Corporation	6.7	75.9	0.5	1.3	8.0	1.7
First National Stores Inc.[6]	7.3	9.1	0.4	0.2	4.9	2.4
F. W. Woolworth Co.[7]	7.4	*	0.9	*	12.7	*
The Grand Union Company	7.6	19.9	0.2	0.3	3.0	1.4
The Outlet Company	7.7	12.0	0.8	0.9	10.0	7.5
National Tea Co.[4,5]	8.4	†	0.3	0.1	3.3	*d.*2.1
McLellan Stores Company	8.6	8.9	0.4	0.5	4.6	5.5
Peoples Drug Stores, Incorporated	8.8	10.6	0.6	0.6	6.3	5.3
W. T. Grant Company	9.1	4.2	0.5	0.2	5.2	3.7
Kaufmann Department Stores, Inc.	10.2	13.1	0.7	0.9	7.0	6.7
The Fair[5]	11.5	59.3	0.7	0.7	6.5	1.2
The May Department Stores Company[4]	11.7	10.7	0.7	0.6	6.2	5.5
Oppenheim, Collins & Co., Inc.	12.4	27.4	1.1	0.8	9.0	2.7
Associated Dry Goods Corporation	12.9	19.4	*	0.6	*	3.1
Jewel Tea Co., Inc.	13.3	16.1	1.5	1.2	11.6	7.4
G. R. Kinney Co., Inc.	13.6	35.2	0.7	0.8	5.1	2.2
Abraham & Straus, Inc.	16.1	17.2	0.9	0.8	5.4	4.7
Gimbel Brothers, Inc.	16.3	17.8	0.5	0.7	3.0	4.0
Best & Co., Inc.[6]	18.1	15.9	2.0	1.5	11.1	9.2
Wm. Filene's Sons Company	23.5	41.2	1.5	1.5	6.4	3.7
Schulte Retail Stores Corporation	28.4	*	*	*	*	*
Bloomingdale Bros., Inc.	29.9	35.1	1.0	1.4	3.2	4.1
Franklin Simon & Co., Inc.[4,5]	33.5	†	*	0.9	*	*d.*0.9
Arnold Constable Corporation	†	22.1	1.1	0.9	*d.*3.3	4.1
Median						
Total Group	8.0%	14.2%	0.5%	0.6%	6.4%	4.1%
Department and Specialty Stores	12.9	19.4	0.8	0.8	6.4	4.0
Chain Stores	6.2	8.6	0.4	0.3	6.4	4.8

* Data not available. *d.* Deficit.

† Company incurred a deficit before executive compensation and interest. In computing the median, the percentage was considered to be extraordinarily high.

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

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

[2] Figures for 1928–1932 were based on data furnished by individual companies to the Federal Trade Commission, while those for 1934–1937 were based on figures reported to the Securities and Exchange Commission. In some instances it appeared desirable to adjust the figures for 1934–1937 in order to make them more nearly comparable with those available for the earlier years. Several of the compensation figures for 1934–1937, therefore, are estimates. It proved advisable to revise or eliminate certain figures previously published, in the light of more recently available data.

Exhibit E — Executive Compensation as a Percentage of Earnings[1] and of Sales, Earnings as a Percentage of Sales, and Number of Executives: 1929 and 1937; Fluctuation in Executive Compensation: 1928–1937[2] (*continued*)

(15 Department and Specialty Stores and 23 Chain Store Companies)

Number of Executives		Fluctuation in Executive Compensation (relatives; 1929 = 100)									
1929	1937[3]	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
8	8	100	100	177	235	167	*	188	211	249	227
5	6	52	100	106	101	116	*	134	139	54	92
11	9	110	100	60	65	45	*	115	106	153	124
10	*	281	100	104	77	47	*	*	*	*	*
8	5	114	100	137	216	220	*	*	*	122	160
9	4	66	100	86	300	69	*	93	*	*	95
5	12	99	100	146	135	119	*	146	*	137	140
3	8	97	100	99	99	98	*	118	153	182	198
7	9	*	100	103	103	82	*	89	90	97	100
10	8	97	100	100	93	72	*	100	90	87	84
4	6	98	100	100	104	97	*	88	78	91	89
8	9	105	100	98	93	84	*	122	137	188	162
9	11	102	100	92	62	32	*	59	58	63	52
8	12	100	100	77	50	40	*	33	40	50	46
7	7	*	100	142	157	114	*	106	109	139	125
20	16	74	100	93	95	88	*	72	72	79	72
30	*	98	100	87	75	60	*	*	*	*	*
6	7	98	100	105	126	118	*	98	99	94	105
4	4	107	100	92	107	98	*	88	88	96	79
5	6	95	100	85	59	57	*	44	48	41	31
8	7	87	100	83	76	81	*	55	79	114	117
5	7	143	100	102	102	95	*	114	129	139	145
8	4	98	100	44	44	32	*	59	70	69	49
8	5	99	100	99	96	90	*	82	95	116	121
9	6	92	100	108	97	86	*	68	69	72	61
11	11	105	100	75	56	37	*	73	74	88	77
7	5	*	100	79	82	67	*	*	43	43	34
12	9	94	100	89	56	40	*	31	37	53	66
9	11	82	100	109	83	65	*	83	97	107	107
12	10	96	100	88	77	50	*	75	90	85	86
4	4	137	100	100	117	95	*	99	100	94	85
16	16	128	100	96	80	72	*	75	86	103	116
7	5	90	100	95	83	49	*	84	97	90	81
11	12	118	100	95	96	89	*	87	80	85	77
11	9	104	100	59	46	44	*	45	45	33	19
8	7	90	100	129	122	111	*	138	153	168	157
8	6	105	100	116	107	88	*	56	39	35	29
5	4	68	100	95	61	64	*	54	54	55	56
8	7	98	100	97	94	82	*	84‡	88	91	87
8	6	100	100	96	96	88	*	82‡	80	90	79
8	8	98	100	98	93	72	*	91	90	96	100

[3] Since the number of executives employed in 1937 was in many cases not clearly stated, several of the figures shown 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 5, consequently, is relatively low, and the percentage in column 1 expressed in relation to earnings is somewhat overstated.

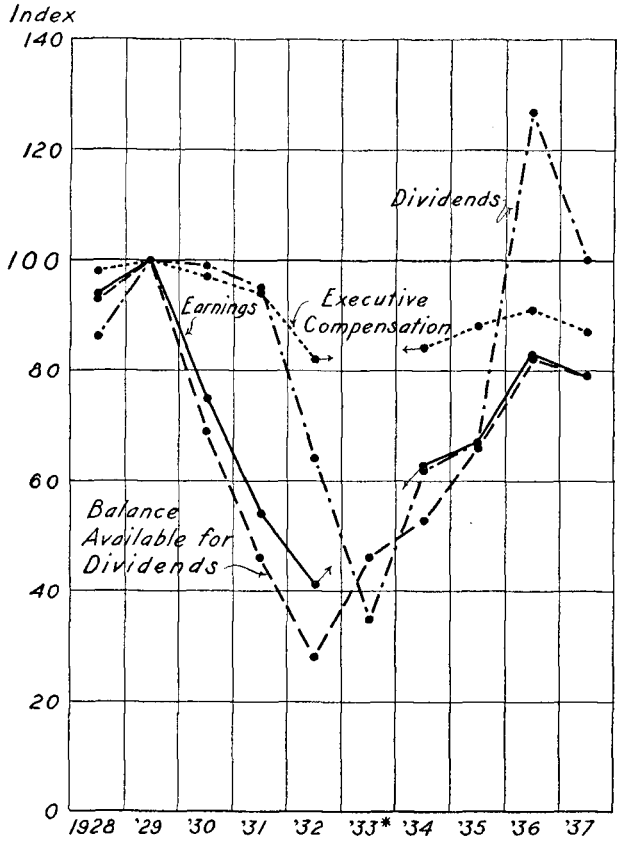
[5] Interest figures were not available for this company for 1937. The percentages in columns 2 and 6 are respectively somewhat high and low as explained in footnote 4.

[6] The earnings figures for First National Stores Inc. for 1929 and for Best & Co., Inc., for both years reflect estimates for interest on funded debt.

[7] The earnings figures for F. W. Woolworth Co. include dividends from foreign subsidiaries.

Exhibit F — Fluctuation in Executive Compensation, Balance Available for Dividends, Dividends, and Earnings for 38 Retail Companies: 1928–1937 [1]

(1929 = 100)



* Data for executive compensation and earnings not available.

[1] Earnings is defined as net income after all charges including depreciation and Federal taxes, but before executive compensation and interest. Balance available for dividends is defined as earnings minus executive compensation and interest.

rose thereafter to a point in 1936 about 18% below 1929, and dropped slightly in 1937. Department and specialty stores experienced a more severe decline in earnings and in balance available for dividends than did chain stores, and as has been mentioned, did not recover as completely. The fluctuations in executive payments to chain store executives corresponded more closely with fluctuations in earnings than they did among the department and specialty stores.

Dividends among the 38 companies declined slowly between 1929 and 1931, as did payments to executives. From 1931 to 1933 a precipitous drop paralleled that which had begun earlier in balance available for dividends, so that in 1933 dividends nearly reached the bottom experienced by the other series in 1932. After 1933 dividend payments responded quickly to increases in income, rising to a point about 25% above the 1929 level in 1936, but dropping in 1937 to a point approximately equal to 1929. The more marked decline and less marked recovery in balance available for dividends and earnings among the department and specialty store companies resulted in lower dividend payments relative to 1929 than those made by chain store companies. Even the department and specialty stores, however, paid about 12% more to stockholders in 1936 than in 1929.[1] Tax laws doubtless greatly affected such payments.

[1] Comparison of typical amounts going to stockholders and executives as percentages of earnings are interesting. Such figures reveal that in the years 1929 and 1937 and over the entire period 1928 through 1937, stockholders received approximately 4 to 5 times as much as executives in the 38 retail companies as a whole, 6½ to 7½ times in the 23 chain store companies and 3 to 4 times as much in the 15 department and specialty store companies. For discussion of corresponding figures for 1928–1936, see *Executive Salaries and Bonus Plans*, Chapter V.