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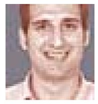
AHEAD OF THE TAPE



By JESSE EISINGER

Acid-Test Failure

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If the revolution in CEO pay hasn't happened by now, fear for it.

There have been plenty of hopeful anecdotes that corporate boards are finally getting serious about reining in CEO pay. The only hitch is what the numbers actually say.

The median realized pay for CEOs at 350 of the largest companies was $3.6 million in 2003, according to Mercer Human Resource Consulting. That is 19% higher than the median from 2002 of $3.02 million. (Since Mercer's sample is different each year, the firm says viewing that percentage difference as an increase can be misleading. On an apples-to-apples basis, CEOs' realized pay was up 16.4% last year, a faster pace than the 15% increase in 2002.)

Mercer measures CEO pay several ways. It calculates how much CEOs "realized" in a given year, counting gains on options in that year, restricted stock and long-term incentives. The firm also measures "expected" compensation, adding things such as an estimated value for option grants. CEOs had a pretty good year in "expected" compensation, too. The median CEO made $6.21 million last year, compared with the $6.1 million made by the median CEO in 2002, a rise of 1.8% in the median. Robin Ferracone, a compensation expert at Mercer, says that a hopeful sign is that on that same-CEO basis, this expected pay went down 4%.

That $6.2 million in expected pay is 19% higher than the median CEO pay for 2000 and it was the highest at any time in the past 10 years, except for 2001.

The median white-collar worker made $46,100 a year in 2003, up 3.3% from the median in 2002, according to the Bureau of Labor Statistics.

Looking merely at the median of the CEO pack can blur the issue, which is about excessive pay at the top tier. The CEO at the 90th percentile took home $15.2 million in 2003, meaning 10% of CEOs earned that much or more. In 2002, that figure was at $12.6 million. So what exactly is being reined in?

ABOUT JESSE EISINGER

Jesse Eisinger writes the Ahead of the Tape column for The Wall Street Journal. Prior to writing this column, Mr. Eisinger wrote the Heard in Europe column for The Wall Street Journal Europe. Mr. Eisinger has also covered pharmaceuticals and biotechnology for TheStreet.com and Dow Jones Newswires. He has a BA in American Studies from Columbia University.

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CEOs were selling stock aggressively last year as their stocks rose for the first time in years. So it is notable that they are sitting on an increased amount of their companies' stocks. The value of CEOs' stock ownership, at the median, was $9.1 million compared with a $6.8 million median in 2002.

Warren Buffett has called CEO pay the acid test of corporate improvement. The problem is value for money. Most of the top CEOs didn't invent anything nor are they are entrepreneurs. They are custodians. Yes, they are caretakers with big responsibilities -- but not that big.

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