

Macro Roundup Article

Headline: [Executive Compensation: The Trend Toward One-Size-Fits-All](#)

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Tweet: A “one size fits all” model of executive pay has become more common since 2006. This highlights the unintended consequences of the SEC’s rules for standardized pay disclosure in ‘06 and Say on Pay in ‘11, coupled with institutional investors’ influence.

Summary: I report and analyze a recent “one-size-fits-all” trend in the structure of executive compensation plans. Since 2006, 24% of the variation in the distribution of CEO compensation across pay components —salary, bonus, stock awards, options, non-equity incentives, pensions, and perquisites— disappeared. This uniformity might come at the expense of optimal incentives, as increases in pay structure similarity translate into lower shareholder value. I find that institutional investors’ influence, proxy advisors’ recommendations, and expanded compensation disclosure are salient drivers of this standardization. The findings highlight an unintended consequence of recent regulations enhancing shareholders’ participation and expanding compensation disclosure.

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