Executive Pay Clawbacks Are Gratifying, but Not Particularly Effective

If the goal of compensation clawbacks is to keep corporate executives honest, then they aren't doing the job, according to a **report by *The New York Times***.

As evidence, writer **Gretchen Morgenson** points to recent action by Wells Fargo's board. The bank's directors acted on Tuesday to recover $60 million in stock grants from two top executives after a phony-account-opening scandal rocked the company and its executives. But the move came almost three years after the improprieties came to light.

There are several reasons givebacks are rare, Morgenson reports: "One is that corporations limit the scope of their recovery policies. For example, the policies are written to cover only a portion of an executive's pay."

"Clawbacks extending to all types of compensation are uncommon," James F. Reda, managing director of executive compensation consulting at Arthur J. Gallagher & Company, told the reporter. "They typically only apply to the cash portion and only to the top executives."

Read the article.