Could the U.K.'s 'Shareholder Spring' Cross the Pond?

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Why aren't U.S. shareholders as angry as their British counterparts?

Shareholder discontent over executive pay in the U.K. has led to the recent ouster of at least three high-profile CEOs, and the British government unveiled a plan Wednesday to give investors even more say on compensation.

But could similar uprisings take place in the U.S.? Slim chance, experts say. Blame it on culture or more lenient corporate governance laws, but American shareholders of U.S. firms simply don't have as much pull, which means CEOs and boards here can afford to ignore shareholder votes if they so choose, says Jesse Fried, a Harvard Law School professor specializing in executive compensation, corporate governance and corporate law.

The U.K.'s so-called "Shareholder Spring" has been escalating since April, when a group of shareholders voted against Barclays' executive pay plan to protest the bank's ailing stock performance. Similar revolts left empty corner offices at Aviva, AstraZeneca and Trinity Mirror – taking down the chief executives there, even though their votes were nonbinding – before spreading last week to advertising conglomerate WPP.

American investors have exercised a similar right to nonbinding "say-on-pay" votes for two years now. So far this proxy season, they've rejected executive pay packages at 11 S&P 500 companies, according to Compensation Advisory Partners' latest update. Citigroup suffered perhaps the most public rebuke back in April.

But U.S. shareholders would need a lot of help to mount a powerful insurrection, Fried says.

For one, it's also harder for U.S. shareholders to oust a company director. In the U.K., shareholders representing a small percentage of the company's voting rights can call a special meeting to vote on the dismissal of one or more directors, Fried says. There's no such mechanism in the U.S., where shareholders must wait until the annual meeting to elect new directors; even then, staggered terms make it impossible to target more than a few seats at a time.

In short, a no one's livelihood is threatened by shareholder sentiment, so U.S. companies can afford to ignore shareholder anger. "A CEO is not going to give up his jet simply because he loses a say-on-pay vote," Fried says.

Then there is the amount of money at stake. CEOs from a sampling of 300 of the S&P 500 companies earned an average total compensation of $12.9 million last year, according to data compiled by the AFL-CIO. For comparison, FTSE-100 chief executives received an average pay package of £4.8 million last year (USD $7.5 million), or 200 times the typical private sector worker in the U.K.

With so much money on the line, U.S. CEOs are unlikely resign as their counterparts across the ponds did, says Brandon Rees, deputy director of the office of investment at AFL-CIO, the largest U.S. labor federation.

But there's been some progress, says Michael Garland, executive director of corporate governance for New York City Comptroller John Liu, who oversees $122 billion in assets at the city's five pension funds. Over the last year, more companies have reached out to the Comptroller's office to seek advice on winning say-on-pay votes.

"I won't say it's magically aligned pay with performance," he says, of say-on-pay, "but it's been a positive step."