Case Study

[Name of the Writer]

[Name of the Institution]

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1. It has been decades that government set the minimum wage rate for the employees in the United States. However, private firms eventually offering wages above the decided minimum wage rate. This is because of competition and inflation. Companies try to keep the loyalty of the employees by offering them higher wages which help them to remain in the competition. Besides increasing the minimum wage rate there is a continuous increase in the wage gap between CEO to the average worker. To reduce the inequality of wealth and opportunity there should be a minimum gap between the wages of the employees within the firm. The increase indifference is leading towards the difference inequality, opportunities, lifestyle, and behavior of the people. For instance, the case study shows that 60% increase in CEO’s wage leads to increase in worker’s aggression. They start thinking that workers are working hard to ensure the company profit while CEO is the one who is getting the benefit more. In addition, a justification for this increase becomes difficult when people compare worker and CEO. CEO is the one who works five days a week in the office while workers dedicate their effort and energy for whole year. The data in the case study shows that the economy of the U.S is making enough revenue to pay workers then why this wage gap is increasing. There is no issue in increasing the wage of the CEO but the wages of the workers should also be increased with the same percentage to maintain the wage gap. This wage gap will not only maintain the equality between the employees of the company but ultimately result in equality in economy. Therefore, in my opinion, the argument of the social activists regarding the highest and lowest wages that the company can pay is right. Every citizen of the nation must enjoy the resources equally and according to the skills they acquire (“Reining in CEO compensation and curbing the rise of inequality,” n.d.)i.
2. Companies set designation and pay scale according to the skill employees have. They cannot simply give equal salary to everyone. Therefore, it is not necessary that if the salary of the CEO is increasing they have to give a same amount to the accountant, driver, or other workers. CEO is not elected, he acquires his position due to his experience, efforts, and skills. He makes efforts for years, maintain political warfare, and gerrymandering the firm. In other word, CEOs are above average so they get pay above average. This process repeats every year and therefore become able to get higher income. Investors are also involved in deciding the CEO’s salary by analyzing the performance of the CEO. When a CEO proves himself and maintain the progress of the firm, investors increase their trust in the firm and invest more which increase the credibility of the CEO. If the CEO is not able to maintain the relationship with the partners and investors no one will pay high wages instead firm will fire that CEO. If people compare the difference of wages between CEO and worker then it may seem wrong but if that gap compares based on duty and responsibility then CEO much deserves higher wages. Worker gets angry when the CEO received a 60% increase in pay which means $17 million but the firm can do it as they have authority and reason to take this step. In addition, with the increase in globalization companies are now able to get cheap labor. There are numbers of the developing nations who are ready to supply cheap labor. Whereas, for CEO post no firm will go for cheap instead they will focus on the experience and effectiveness of the person. This is another reason CEO deserve higher wages as replacement of the CEO is difficult for the firm as compared to replacing one worker for some other (“Should there be a maximum wage?,” 2011).

**References**

Reining in CEO compensation and curbing the rise of inequality. (n.d.). Retrieved September 12, 2019, from Economic Policy Institute website: https://www.epi.org/publication/reining-in-ceo-compensation-and-curbing-the-rise-of-inequality/

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