

Legislative Highlights

Labor and Consumer Groups Press "Excess Compensation" Agenda

Under the so-called "say on pay" legislation passed by the House on April 20, public companies would be required to allow shareholders to hold an annual nonbinding vote on their company's executive compensation package. H.R. 1257 would also require an advisory vote if the company awards a golden parachute package while negotiating the purchase or sale of the company. The bill passed the full House by a 269-134 vote. However, there is no Senate companion bill, and the White House has issued a statement in opposition.

Also in the House, the Committee on the Judiciary held an April 17 hearing on executive compensation packages for companies in bankruptcy. In testimony before the Subcommittee on Commercial Law (chaired by Rep.

Loretta Sanchez, D-Cal.), an AFL-CIO witness pointed to the "grotesque inequities" faced by workers in business bankruptcies, where labor agreements are rejected and retirement security undermined, while corporate executives of failing companies benefit from excessive compensation and bonuses "indulged by the courts." "The bankruptcy system has become a mere mirror of the excess found in the corporate culture," said Damon A. Silvers, Associate General Counsel of the labor union federation. Rep. John Conyers (D-Mich.), chairman of the House Judiciary Committee, said on April 17 that he will introduce legislation that will make it harder for executives of bankrupt companies to collect "lavish pay" while cutting wages and benefits of rank-and-file workers.

Meanwhile the largest airline pilots union (ALPA) is asking Congress to change federal law so workers can strike over wages and benefits lost in bankruptcy court. The pilots want to increase their leverage lost when the U.S. Court of Appeals for the Second Circuit held this year that Northwest Airlines flight attendants couldn't strike the bankrupt company. No legislation has been introduced at press time.

Subprime Mortgages

The fallout from the problems in the subprime mortgage market continues. A coalition of housing advocates and civil rights groups are calling for a six-month moratorium on certain subprime mortgage

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foreclosures, focusing on loans with short-term “teaser” rates that quickly adjust at much higher rates. While Congress has traditionally proposed few bills to limit a residential mortgage lender’s right to foreclose, some 29 states now have bills pending.

However, Senate Banking Committee Chairman Chris Dodd (D-Conn.) has indicated that he’s not eager to move legislation to correct lending practices in the subprime

market, supporting instead action by federal banking regulators. Dodd contends that the Federal Reserve could use its authority to prohibit abusive lending practices for all markets. Dodd and ranking member Sen. Richard Shelby (R-Ala.) oppose a plan by Sen. Chuck Schumer (D-N.Y.) to establish a bailout fund to help subprime borrowers avoid foreclosures.

Asbestos Claims in Bankruptcy

Finally, the long-stalled asbestos trust fund bill received a surprising boost with the Senate’s adoption of a technical amendment that will make it easier for the bill to be considered by the Senate without a budget point of order. The bill, sponsored by Sens. Arlen Specter (R-Pa.) and Patrick Leahy (D-Vt.), would create a fund for victims exposed to asbestos so as to avoid the tort system. ■