Curtailing Executive Overcompensation (CEO) Act

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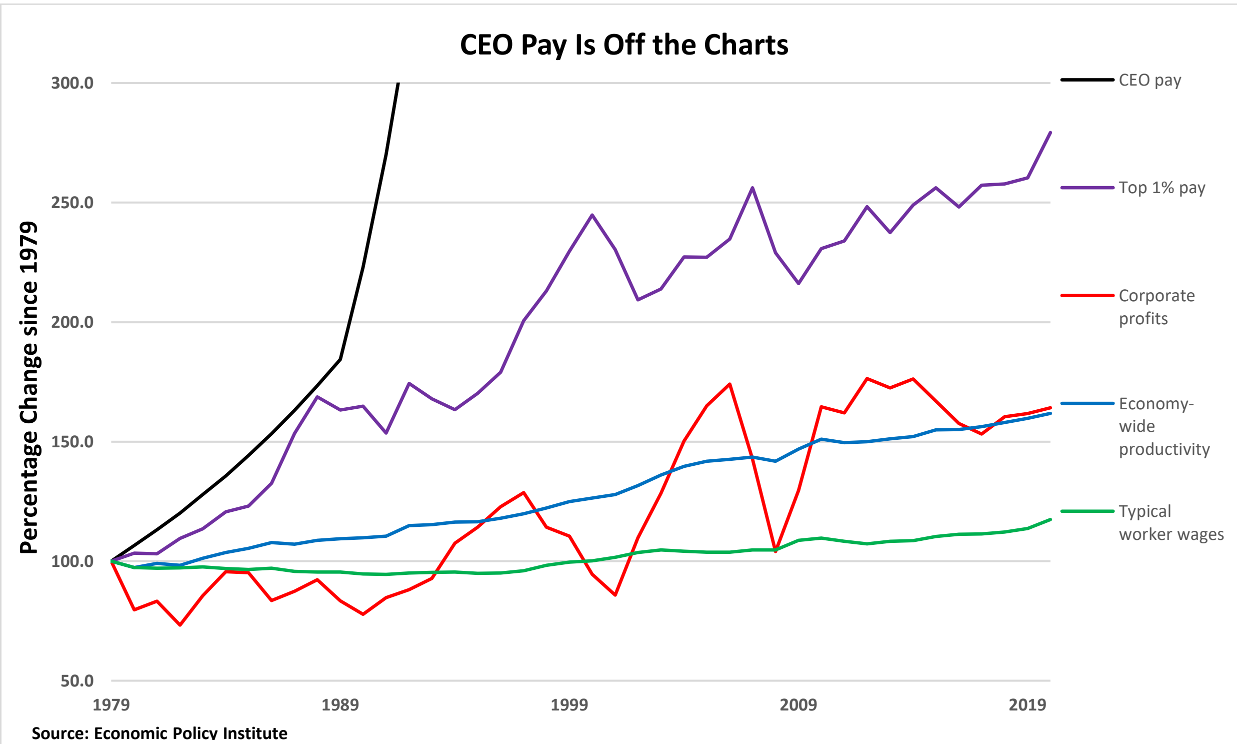
Since 1978, economic productivity has outpaced workers' wages by more than 4 times. For CEO pay, it's a different story. Executive pay has soared by over 1,209 percent – over 18 times as much as productivity growth, and outpacing the growth of the stock market and even the pay of the top 0.1 percent. In 2021, as millions suffered from the pandemic and the unemployment rate climbed to its highest level since the Great Depression, CEOs earned 399 times the pay of the median worker in their industry, the highest disparity in the last half century. But it wasn't always this way: in 1965, the average CEO made only 21 times the amount made by their typical worker.



The average CEO had an income of $25.2 million in salary, bonuses, stock awards, and stock options in 2022. According to the Bureau of Labor Statistics, in the fourth quarter of 2022 the average full-time worker made about $56,420 in wages with an additional $25,348 in non-wage compensation.[1] That's a CEO-to-median-worker economy-wide pay ratio of 308:1. The average CEO would only need to work *one day* to make what the average worker makes in *ten months*.

[1] BLS estimates that in December 2022 that wages on average made up 69 percent of total compensation.

Today, unions across the country are striking for better pay and benefits while decrying the massive growth of CEO pay in their respective industries. The United Auto Workers strike has focused attention on skyrocketing executive pay while workers' wages have fallen dramatically. In 2022, General Motors and Ford Motor had CEO pay ratios of 362 and 281, respectively.

Excessive CEO pay is bad for business
Are CEOs simply 399 times more productive than their workers? The evidence suggests otherwise and that large pay disparities between CEOs and their workers are bad for business. Studies have found that large disparities are associated with higher levels of employee dissatisfaction and turnover, lower sales, and are disfavored by consumers. Peter Drucker – often referred to as the founder of modern management – believed the ratio should not exceed 20:1 and decried extreme pay inequality as socially corrosive.

Moreover, excessive CEO pay propels economic inequality, which corrodes our democracy as the rich and powerful use that wealth and power to cement their status. If CEOs were paid less or contributed more in taxes, our society would be freer and our economy would be fairer, while being no less productive.

The Curtailing Executive Overcompensation (CEO) Act:

- Applies an excise tax on publicly traded and private companies with over $100 million in gross receipts and $10 million in payroll, which have at least a 50:1 CEO-to-median-worker pay disparity.
- The tax rate imposed is proportional to the size of the executive's compensation (including salary, bonuses, and stock awards and options) and the degree the pay ratio exceeds 50:1. For example:
  - In 2022, Coca-Cola CEO James Quincy made $22.8 million in compensation, 1,883 times the compensation of Coca-Cola's median worker. Coca-Cola would pay a tax of $407.2 million.
  - In 2022, Pfizer CEO Albert Bourla made $33 million in compensation, 437 times the compensation of Pfizer's median worker. Pfizer would pay a tax of $113.2 million.
  - In 2022, Goldman Sachs CEO David Solomon made $31.6 million in compensation, 211 times the compensation of Goldman Sachs's median worker. Goldman Sachs would pay a tax of $38.9 million.
- The tax would not exceed one percent of a company's gross receipts.
- In 2022, the CEO Act would have raised an estimated $10.1 billion from the Fortune 100 top US companies by revenue.