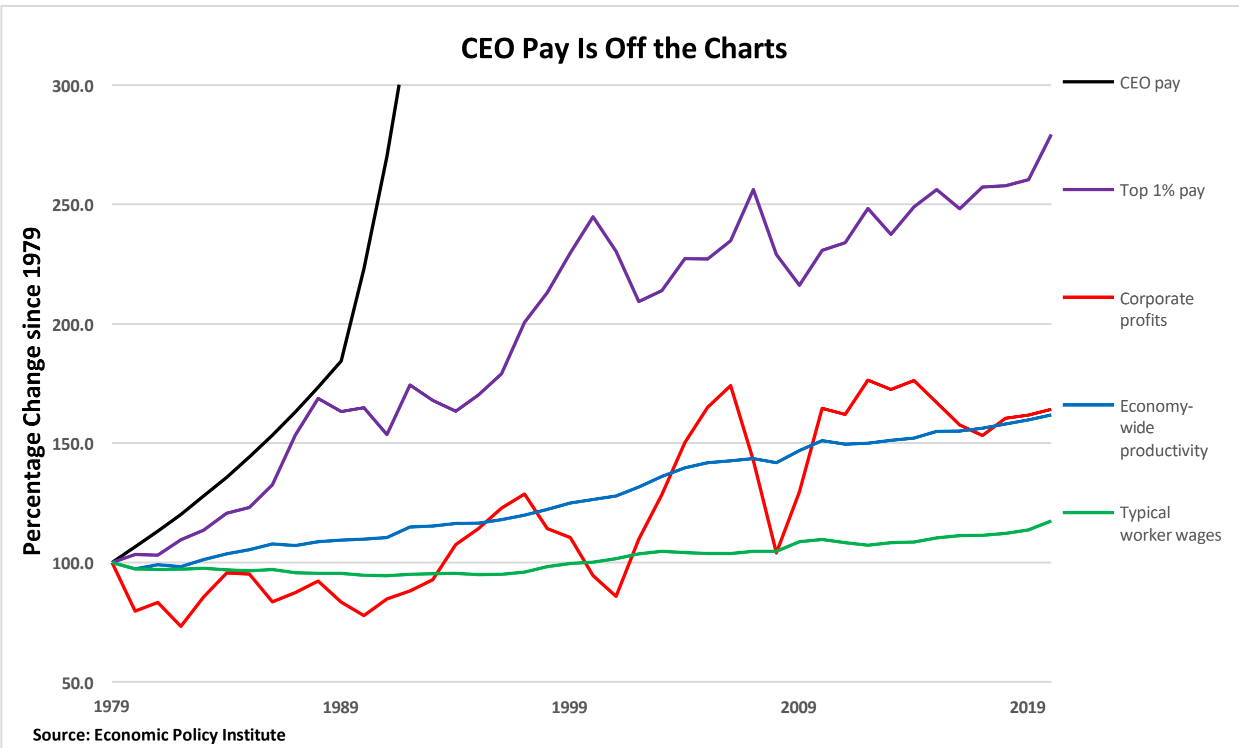
# Curtailing Executive Overcompensation (CEO) Act

*Senator Sheldon Whitehouse*

Since 1978, economic productivity has outpaced workers' wages by nearly 4 times. For CEO pay, the gap is far greater. Executive pay has soared by more than 1,085 percent while, over the same span, the median worker's wage increased by only 24 percent. CEO pay has vastly outpaced productivity growth, the growth of the stock market, and even the pay of the top 0.1 percent – in 2022, CEO pay was nearly 10 times that of the top 0.1 percent of U.S. earners. In 2024, S&P 500 CEOs earned 285 times the pay of the median worker in their industry, an even greater disparity than the previous year. But it wasn't always this way: in 1965, the average CEO made only 21 times the amount made by their typical worker.




S&P 500 CEOs took home an average of $18.9 million in total compensation in 2024 – a 7 percent raise from the previous year. According to the Bureau of Labor Statistics, in the first quarter of 2024 the median full-time worker made about $59,228 in wages. That's an S&P 500 CEO-to-median-worker economy-wide pay ratio of 319:1. The average S&P 500 CEO would only need to work *one day* to make what the average worker makes in *ten months*.

**Excessive CEO pay is bad for business**

Are S&P 500 CEOs simply 285 times more productive than their workers? The evidence suggests otherwise – 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. By implementing a tax on corporations with the most extreme pay disparities, we can incentivize reductions in pay inequality, making our society freer and our economy fairer, without sacrificing productivity and growth.

**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 to which the pay ratio exceeds 50:1. For example, last year:
    - Then-Walmart CEO Doug McMillion's total compensation was over $29 million, 958 times the compensation of Walmart's median workers. Walmart would pay a tax of $251.7 million.
    - American Express CEO Stephen Squeri's total compensation was over $46 million, 814 times that of its median worker. American Express would pay a tax of $331.4 million.
    - Apple CEO Tim Cook's total compensation was over $73,294,811 million, 533 times that of its median worker. Apple would pay a tax of $324.9 million.
- The tax would not exceed one percent of a company's gross receipts.
- In 2024, the CEO Act would have raised an estimated $8 billion+ from the top 100 highest grossing U.S. companies.

**The bill has been endorsed by:**

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), United Auto Workers (UAW); Communications Workers of America, American Federation of State, County, and Municipal Employees (AFSCME), American Federation of Teachers, International Brotherhood of Teamsters, International Federation of Professional and Technical Engineers (IFPTE), Institute for Policy Studies, Americans for Financial Reform, the Congressional Progressive Caucus, the Global Economy Project at the Institute for Policy Studies, Jobs with Justice, Labor Network for Sustainability, Main Street Alliance, NETWORK Lobby for Catholic Social Justice, Open Markets Institute, Oxfam America, Patriotic Millionaires, People's Action, Public Citizen, Revolving Door Project, Social Security Works, The Value Alliance, and Unrig Our Economy.