Research Sample: the 100 S&P 500 Corporations With the Lowest Median Worker Pay

Key Finding:

51 of the country’s 100 largest low-wage employers rigged pay rules to give CEOs 29 percent average raises while their frontline employees made 2 percent less.

HILTON: “MODIFIED” STOCK AWARDS

CEO:
$56 million

Pay ratio:
1,953 to 1

Median worker:
$28,608

TYSON: STOCK TO MAKE UP FOR LOWER BONUSES

John Tyson: $11M
(wealth: $2.6B)

Pay ratio:
294 to 1

Median worker:
$37,444

CHIPOTLE: MOVED BONUS GOALPOSTS

CEO:
$38 million

Pay ratio:
2,898 to 1

Median worker:
$13,127

3 TOP ARGUMENTS OF CEO PAY DEFENDERS

1. THE “EXCEPTIONAL RISK” DEFENSE

- Unlike lower-level employees rewarded via cash wages and salaries, top execs receive most of their compensation in the form of *variable* pay.
- 2020 dramatically illustrated how compensation systems operate in practice to shield CEOs from real risk.

2. “LONG-TERM SHAREHOLDER VALUE” DEFENSE

- Performance stock and options usually vest over 3-4 years.
- But companies typically hand out these grants every year, so sooner or later, executives are likely to cash in.
- Even inept corporate leaders can reap huge windfalls by riding the tide of bull markets or through stock buybacks.
- In 2020, boards demonstrated how easily they could dispense with the long-term façade of these grants altogether.

3. THE “PAY FOR PERFORMANCE” DEFENSE

- The idea that high CEO pay correlates with high company performance has been disproved in study after study.
- In fact, distressed corporations often pay even more to retain and motivate “top talent” during challenging times.
- In our sample, the 16 profit-losing, pay rule-manipulating corporations had the highest average CEO compensation, at $17.5 million.

POLICY SOLUTIONS

- Discourage stock buybacks (buybacks tax in Build Back Better Act)
- Tax incentives to rein in CEO pay (Tax Excessive CEO Pay Act)
- Procurement standards to encourage narrow CEO-worker pay gaps, worker reps on boards, etc… (Patriotic Corporations Act)
- Regulation to prohibit Wall Street compensation that encourages “inappropriate risk” (Dodd-Frank Section 956 – not yet implemented)