Executive Summary

If your boss made your annual salary in less than a single day, how would you feel? Demoralized? Disgusted? Many Americans are now learning how pay is shared (or not).

For the first time in history, U.S. publicly held corporations are now required to report how much their CEO makes in comparison to the median salary of the other workers at the company. This new data source is the result of a hard-fought regulation mandated by Congress in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The CEO-worker pay ratio is a dramatic indicator of our country's extreme economic divide. Beginning in the late 1970s, income inequality in the United States began to spiral upwards. However, this inequality was not driven by falling wages at the bottom of the income distribution. In fact, incomes for most Americans have been stagnant for four decades. Instead, this increase in income inequality was almost entirely driven by soaring compensation levels for the top 1% of income earners. Because about two-thirds of the top 1% of American households are headed by corporate executives, examining CEO pay is one key to understanding the takeoff in income inequality in the United States.

Top income earners increasingly earn their income at the expense of everyone else. In the 1970s, the top 1% of families earned less than 10% of the total national income earned by all workers; today, their share is greater than 20%. Despite increases in worker productivity over the course of the last four decades, workers are simply not earning a larger share of the output they produce.[1]

CEO pay in the United States is also far out of line with CEO pay in other countries. According to a new Bloomberg analysis of twenty-two major countries, the United States' average gap between CEO and worker pay far outpaces that of other industrialized nations. The average U.S. CEO makes more than four times the average pay of a CEO abroad.[2]

To better understand how pay rates for CEOs of the largest companies in America compare to the salaries of workers in the middle of the pay scale, Representative Ellison requested that his staff compile and analyze the ratios of the first 225 Fortune 500 companies to publicly disclose this information. These 225 companies combined employ more than 14 million workers and generate at least $6.3 trillion in revenue, which is more than a 25% of 2017's fourth quarter GDP.[3] This report finds:

Pay ratios of Fortune 500 companies range from 2:1 at the low end to nearly 5,000:1 at the high end. The average CEO to median worker pay ratio among all 225 companies is 339:1. For historical context, in 1965, the average CEO made 20 times the average worker.[4]

In 188 of the 225 companies in our database a single CEO's pay could be used to pay more than 100 workers. A company's ratio can also be read as the number of "median" workers who could be hired for the amount their CEO makes annually. At McDonalds, for example, the CEO's annual salary could be used to pay the yearly wages of 3,101 workers making the median pay.[5]

Median employees in all but six companies in our database would need to work at least one 45-year career to earn what their CEO makes in a single year. For example, it would take the median employee at PepsiCo who works for a full 45-year career (age 18 to 63) more than 14 full careers (650 years) to make what their CEO makes annually (650/45=14.4).

The industry with the highest average ratio of CEO to worker pay is the consumer discretionary industry with a ratio of 977:1. This category includes companies that sell clothing and food such as McDonalds, Gap, and Kohl's.