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Work & Wages

CEO Pay Report 2021

Big Ohio CEOs: 322, Typical employee: 1

Jenny Driscoll
Michael Shields

Policy Matters Ohio

Introduction

A thriving community depends on the work of everyone, from the retail clerk who greets customers to the janitor who cleans the countertop. But for decades, corporate executives held down pay for the typical Ohio worker, while they lavished enormous pay growth on themselves. Two years into the COVID-19 pandemic, the disparity is as glaring as ever: While Ohioans on the frontlines continue to do vital work months after hazard pay ended — if they ever got it — CEOs in 2020 took home windfall gains from stock price growth. CEOs' pay reflects their privileged status to set their own pay, and it further separates the fortunes of the wealthiest from the rest of us.

Among 54 of Ohio's 100 largest employers that reported to the Securities & Exchange Commission, the median chief executive officer was paid 322 times the rate of the median worker at the same company last year. More than two-thirds of the reporting corporations paid their CEO more than 200 times what they paid typical employees. One-third paid their CEO more than 500 times as much, and seven companies paid their CEO more than 1,000 times more than their median employee.

In recent decades, corporate boards have increased CEO pay at rates that dramatically exceed pay increases for typical workers. CEO pay has also grown more quickly than stock prices and compensation for other very highly paid workers, reflecting the exceptional power that CEOs wield to set their own pay. Nationally, CEO pay based on realized compensation grew by 1,322% from 1978 to 2020, while the S&P stock market index grew 817% and earnings of the highest 0.1% grew 341% between 1978 and 2019, the latest data available.[1] By contrast, the median worker won pay gains of just 18.0% nationally from 1978 to 2020, and 7.6% in Ohio since 1979, adjusted for inflation.[2] Since its peak in 1968, the minimum wage in Ohio has lost 28% of its value.[3]

Excessive CEO pay matters because the income captured by CEOs exerting their unique positions of power to manipulate pay could otherwise have gone to other

[1] National figures are cited because data on top Ohio companies used throughout this paper became available under the Dodd-Frank Act for the first time just four years ago in 2017. Realized compensation measures pay in company shares at the time it is cashed out or vested, and can differ from the value at the time awarded. See section below. Mishel, Lawrence and Jori Kanda. "CEO Pay Has Skyrocketed 1322% since 1978," Economic Policy Institute, August 10, 2021, https://bit.ly/3EArJzk
[2] Mishel, Lawrence and Jori Kanda. "CEO Pay Has Skyrocketed 1322% since 1978," Economic Policy Institute, August 10, 2021, https://bit.ly/3EArJzk. Shields, Michael and Vivian Jacobs, "State of Working Ohio 2021," Policy Matters Ohio, September 6, 2021, https://bit.ly/3dyqggY
[3] Shields, Michael. "Fairer pay will boost Ohio," Policy Matters Ohio, April 2021, https://bit.ly/RaiseTheWage_OH

working people — the people whose work made that income possible — but was made unavailable for broad pay growth. In Ohio and the U.S., pay for median workers grew far more slowly than the economy as measured in Gross Domestic Product (GDP) between 1979 and 2020. Prior to that, wages and GDP tended to trend together, reflecting that working people were paid a relatively consistent share of the growth that their work generated.

Several factors allowed CEOs to consolidate such wealth. Relaxation of financial industry regulations has enabled corporate heads to manipulate company stock values through share buybacks once illegal under Securities and Exchange regulations.[4] Rapid globalization fostered by tax and trade policies and improved communication technologies gave large corporations unprecedented access to the lowest paid and least protected workers in the world.[5] This undercut working people's bargaining power. Policymakers compounded the challenge by removing government policies that once provided balance and in some cases passing hostile policies including "right-to-work" laws.[6] The resulting fall in union density has allowed CEOs to further consolidate the power they used to capture a growing share of the income produced over recent decades.[7]

Since the 1970s, public policies and corporate practices that allowed CEO pay to balloon have been major drivers of economic inequality. Even among the highest paid Americans, a large portion of all growth has gone to CEOs. Researchers found that from 1979 to 2005, CEOs outside of the finance industry captured 36% of growth in the top 1% of households' income share, and 44% for the top 0.1%.[8] Finance industry executives and others captured a further 23% in both groups.

CEOs at Ohio's largest employers reflect the corporate hierarchies across Fortune 500 companies. Though corporate leadership continues to be dominated by white men, the entry of more women and people of color over the last two decades into the CEO class demonstrates that economic justice means more than diversity at the top.[9] CEOs inhabit a rarefied stratum that has become increasingly removed from the

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[4] Lazonick, William; Mustafa Erdem Sakinç; and Matt Hopkins, "Why Stock Buybacks Are Dangerous for the Economy," Harvard Business Review, January 2020, https://hbr.org/2020/01/why-stock-buybacks-are-dangerous-for-the-economy
[5] Hanauer, Amy. "Trade deals aren't enough: Fixing the tax code to bring American jobs back," Institute on Taxation and Economic Policy, July 2020, https://groundworkcollaborative.org/wp-content/uploads/2020/07/GWC2039_Tax-Paper.pdf
[6] Bivens, Josh and Heidi Shierholz, "What labor market changes have generated inequality and wage suppression?," The Economic Policy Institute, December 12, 2018, https://www.epi.org/publication/what-labor-market-changes-have-generated-inequality-and-wage-suppression-employer-power-is-significant-but-largely-constant-whereas-workers-power-has-been-eroded-by-policy-actions/
[7] Economic Policy Institute, "Unions help reduce disparities and strengthen our democracy," April 23, 2021, https://www.epi.org/publication/unions-help-reduce-disparities-and-strengthen-our-democracy/
[8] Bakija, Jon, Adam Cole, and Bradley Heim. 2012. "Job and Income Growth of Top Earners and the Causes of Changing Income Inequality: Evidence from U.S. Tax Return Data." Department of Economics Working Paper, Williams College, April 2012. These reports rely on household income data from tax filings, not on individual rates of pay. Households were grouped based on the occupation of the head-of-household.
[9] Zweigenhaft, Richard. "Diversity Among Fortune 500 CEOs from 2000 to 2020: White Women, Hi-Tech South Asians, and Economically Privileged Multilingual Immigrants from Around the World," Who Rules America?, January 2021, https://whorulesamerica.ucsc.edu/power/diversity_update_2020.html.

lived experience of nearly all other Ohioans, across all races and gender. Lavish CEO pay further concentrates wealth in white hands. The net worth of a typical American family in 2016 was 10 times that of the typical Black family, at $171,000 and $17,150 respectively.[10] But *average* wealth is distorted by the top: That same year, the average white family owned $929,800, while the average Black family owned $138,100.

In this paper, we document in detail the ratio of CEO pay to that of the median worker at Ohio's largest employers with available data. All publicly traded firms must provide this rate under federal law.

Skyrocketing CEO pay

Starting in 2017, publicly traded companies were required by the Dodd-Frank Act to report the ratio of CEO pay to that of their median worker — the one whose pay falls in the middle of all employees. Policy Matters Ohio reviewed the filings of companies that rank among the top 100 Ohio employers, according to the Ohio Department of Development as reported for 2020,[11] and Ohio-based Fortune 500 companies.[12]

Among the state's largest employers, 54 filed reports with the SEC. Many of the top 100 employers do not have to file such reports, either because they are nonprofits (for example, the Cleveland Clinic), government employers (Wright-Patterson Air Force Base), privately owned (Giant Eagle) or foreign companies (Honda). Since filing in April of this year, L Brands has split into two separate companies, Victoria's Secret and Bath & Body Works.[13] Data for J.C. Penney, 88th on the list of largest employers, was unavailable as the company did not file a report with the SEC in 2021. The company filed for bankruptcy in May 2020 and became a private company after being bought by Simon Property Group and Brookfield Asset Management that December.[14] Seven companies, including Procter & Gamble and Cardinal Health, reported ratios for fiscal years ending before Dec. 31, and were not required to report their first pay ratios until later in 2018. In keeping with our previous reports, we have used their reports for the prior fiscal year, in this case 2020, for analysis. For this analysis we have used the 2020 list of employers, the most recent one compiled by the state.

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[10] McIntosh, Kriston; Emily Moss; Ryan Nunn; and Jay Shambaugh, "Examining the Black-white wealth gap," Brookings, February 2020, https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/.
[11] Ohio Development Services Agency. 2020 Ohio Major Employers. Dec. 2020, https://bit.ly/3E8iaXu.
[12] "Fortune 500." Fortune, https://bit.ly/3ioTaDz.
[13] Williams, Mark. "L Brands No More: Bath & Body Works, Victoria's Secret Are Now Separate Companies." The Columbus Dispatch, 3 Aug. 2021, https://bit.ly/3ypJRc1.
[14] Loeb, Walter. "Now A Private Company, JCPenney Still Has Work to Do." Forbes, 9 Dec. 2020, https://bit.ly/2WMurAM.

The data

The median worker is the one in the middle: Half of the company's employees made more, and half made less. The median worker could be employed anywhere in the company's workforce, and often is not located in Ohio. Dodd-Frank rules allow companies to set aside up to 5% of their workforce in making the calculation. Reporting requirements are not strictly standardized, with the result that some firms include benefits or bonuses in the calculation, while others do not. Rules also allow companies to use the same median employee for up to three years, even if a change in that worker's or others' pay means they are no longer the middle worker.[15] For these reasons, caution is needed when comparing between companies, and we do not list firms in rank order. However, the data clearly show that among major Ohio employers and Fortune 500 companies, the pay disparity between CEOs and regular workers is enormous.

Our data do not contain information about the demographic makeup of median employees, though we know that the median pay among Ohio's largest reporting employers was $49,000, around $7,000 higher than the statewide for Ohio in 2020.[16] Because CEOs are identified, we know that they are predominantly white men.

CEO pay v. median worker pay

Average pay among CEOs at Ohio's 54 largest employers that file reports with the SEC was nearly $16 million. Of those 54 CEOs, 50 were paid more than $5 million, and 43 made more than $10 million. Only one made less than $1 million, while 10 made more than $20 million. The highest-paid CEO was H. Lawrence Culp Jr. of General Electric, who was paid $73.2 million in 2020.

The lowest-paid CEO on the list, Berkshire Hathaway's Warren Buffet ($380,328) and the third lowest-paid, Amazon founder Jeff Bezos ($1.7 million), generate most of their wealth by owning large shares of their respective companies. Buffet has a net worth of $100 billion,[17] while Bezos has amassed over $200 billion.[18]

Meanwhile, 15 corporations among the major employers reported median pay of less than $26,500, roughly the federal poverty level for a family of four.[19] Together, these 15 companies employed more than 185,000 Ohioans at the time of reporting. Half of the top employers, 27 of the 54, reported median pay of more than $50,000. Yet all but four of these companies paid their CEOs at least 100 times what they paid their

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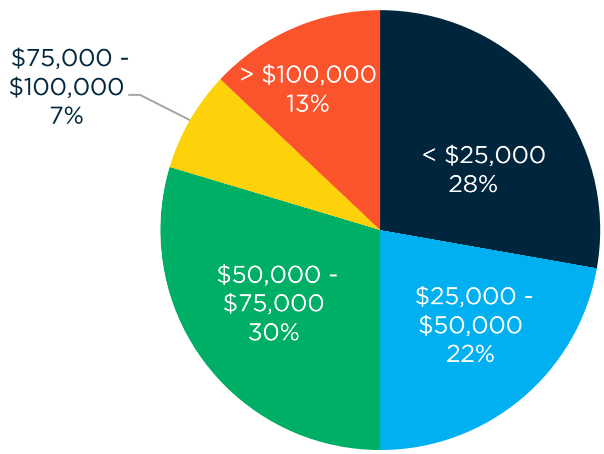
[15] Shields, Michael, and Siyang Liu. "Big Ohio CEOs: 306, Median Employee: 1." Policy Matters Ohio, 10 Dec. 2020, https://bit.ly/3CdUscy.
[16] Shields, Michael and Vivian Jacobs, "State of Working Ohio 2021," Policy Matters Ohio, September 6, 2021, https://bit.ly/3dyqggY
[17] "Warren Buffett." Forbes, https://www.forbes.com/profile/warren-buffett/?sh=1d495c9b4639 December 7, 2021.
[18] "Jeff Bezos." Forbes, https://bit.ly/2VzP1DK. December 7, 2021.
[19] U.S. Department of Health and Human Services. "2020 Poverty Guidelines." Office of the Assistant Secretary for Planning and Evaluation, https://bit.ly/37ijc5a. The FPL was $26,200 for a family of four.

median worker. Median pay for the middle worker among large Ohio employers fell nearly 2% to $51,494 in 2020 compared to $52,500 in 2019.[20] Figure 1 shows median pay for workers at the companies that reported.

Figure 1

Median worker pay at 54 major Ohio corporations, 2020

A quarter of the corporations pay less than $25,000 a year at the median



Source: Policy Matters Ohio analysis of company reports to the SEC.

CEO pay ratios

All but five of the 54 largest reporting Ohio employers — the same number as 2019 — paid their CEOs more than 100 times what they paid their median worker in 2020.

Seven companies, six of which are retailers, paid their CEOs more than 1,000 times what they paid their typical worker. This figure is up from three companies in 2019 and six companies in 2018. Abercrombie and Fitch had the highest ratio for the fourth year running: There, CEO Fran Horowitz was paid $11.9 million, up 42% from the prior year. This figure was 6,565 times as much as the median employee, paid just $1,820. According to A&F, the company's median employee was a full-time student who worked an average of seven hours a week for six months; this schedule is consistent with a pay rate of about $10 per hour.[21]

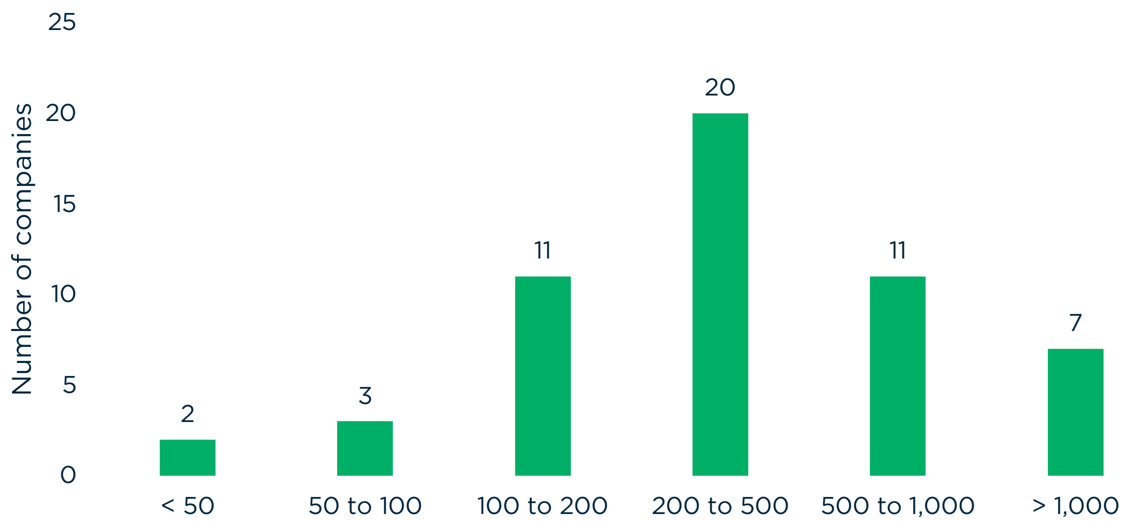
[20] This figure is for the median company, as a measure of pay for its median worker.
[21] Abercrombie and Fitch, SEC schedule 14A Proxy statement, April 26, 2021, https://bit.ly/3eqzGvP.

Thirty-eight CEOs were paid more than 200 times what the median worker was, and 28 — more than half — made at least 300 times as much. Figure 2 shows ratios of CEO to median worker pay.

Figure 2

Ratio of CEO pay to median worker pay, 2020

CEOs paid 200 times or more than typical worker at half of Ohio's major corporations



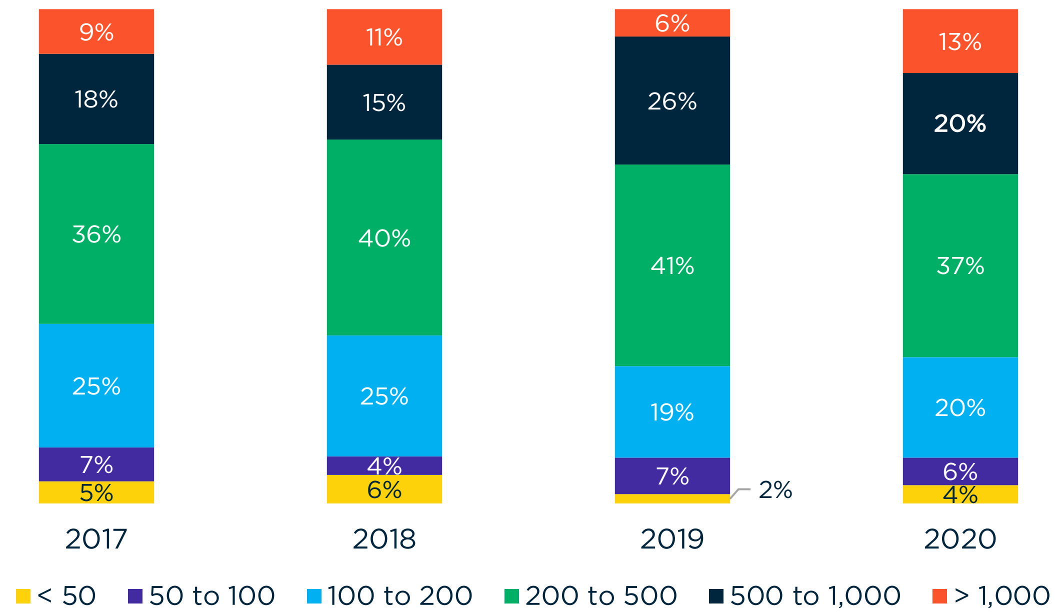
Source: Policy Matters Ohio analysis of company reports to the SEC.

The percentage of corporations with a ratio greater than 1,000 is at an all-time high since corporations began reporting the figures — 13% of CEOs paid themselves more than 1,000 times as much as their median worker in 2020, compared to 5.6% in 2019. The share of CEOs at the large Ohio corporations paid at least 500 times that of the median worker increased slightly from 25% when figures were first reported for 2017 to 33% for 2020. In 2020, 33.3% of the reporting employers paid their CEOs at least 500 times as much as their median worker, up from 31.5% in 2019, 26.4% in 2018 and 25.0% in 2017. Firms with a ratio between 200- and 500-to-1 made up the largest single group last year, with 20 companies. Firms with a ratio greater than 200-to-1 peaked in 2019 at 72.2%, compared to 66.0% in 2018 and 70.4% most recently in 2020. Figure 3 shows ratios of CEO to median worker pay for the past four years.

Figure 3

Ratio of CEO pay to median worker pay, 2017-2020

The share of CEOs being paid 1,000 time more than a typical worker increased



Source: Policy Matters Ohio analysis of company reports to the SEC

Corporations increased CEO pay ratios overall last year. Among the 54 reporting, 25 posted year-over-year decreases in the CEO pay ratio, while 29 posted gains. Appendix A shows CEO pay, median worker pay, and the pay ratio at each of 54 Ohio employers, ranked by Ohio employment.

Ohio Fortune 500

CEO-to-median worker pay ratios were large but slightly less extreme among the 23 Ohio companies on the Fortune 500 list of the nation's largest companies. Average CEO pay among the Ohio Fortune 500 companies was $12.2 million, compared to $16 million among the top Ohio employers. Progressive, with a ratio of 210 to 1, had the median CEO-to-median worker pay ratio among the Ohio Fortune 500. Progressive CEO Tricia Griffith was paid $15.2 million, while the median worker was paid $72,368.

While the largest ratios don't match those of the big Ohio employers, all but four pay their CEO at least 100 times what their median worker makes, and 12 pay at least 200 times as much. Ratios for the Ohio Fortune 500 ranged from 38 to 1 at Cincinnati Financial to 1,873 to 1 at L Brands. Appendix 2 lists the companies. Eight of Ohio's Fortune 500 are not among the state's largest employers, marked in green.

CEOs' privileged status

CEO pay patterns during COVID-19 reflect the highly privileged and insulated position CEOs enjoy. While frontline workers faced new workplace safety threats, CEOs realized enormous gains buoyed by the rising stock market. Overall CEO compensation grew despite many CEOs taking nominal salary cuts because most of CEO pay consists of stock awards, not base pay. Executives at many publicly traded companies elected to reduce their base salaries in light of the pandemic, such as General Electric CEO Larry Culp[22] and TJX Companies CEO Ernie Hermann.[23] By May 2020, over 100 corporations in the S&P 500 stock index cut salaries for their executives, as did nearly 600 companies in the Russell 3000 index.[24] However, salary typically comprises less than 10% of total CEO compensation, so CEOs generally took home more pay even in light of these salary cuts.[25]

Realized pay boosts CEOs even higher

There is a difference between CEOs' pay at the time it is awarded, and at the time it is "realized," by either being cashed out or vested. Because a large part of CEO compensation is comprised of corporate stock awards, any increases in the value of those stocks lift CEOs' pay, even if they are driven by overall market gains, not by company performance. During COVID-19, corporate stock prices rose dramatically, so, while many working people faced new workplace safety risks, or were laid off, CEOs captured windfalls while many were able to safely isolate from COVID-19.

The difference between granted and realized pay matters because CEOs can direct corporate policy to maximize their own compensation by boosting share prices.[26] Corporate strategies targeted to maximizing share price can shift business strategies to short-term strategies that can compromise the long-term viability of companies, such as share buybacks. Such buybacks come at a cost to workers and other real investments, and a focus on short-term earnings can weaken the long-term strength of companies, which retirees' pensions depend on. While we report the more conservative figure of CEO pay as granted for most of the report, the structure of CEO pay means that executives are generally paid substantially more.

The Economic Policy Institute found that overall CEO pay increased by $3.8 million on average in 2020, up almost 19%, among the 350 largest publicly owned U.S. firms

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[22] Gryta, Thomas, and Theo Francis. "GE Chief Received Special Stock Award Now Valued at $100 Million." The Wall Street Journal, 11 Mar. 2021, https://on.wsj.com/3xu1dDj.

[23] Eaglesham, Jean, and Inti Pacheco. "Coronavirus Crimps Some CEO Salaries but Not All." The Wall Street Journal, 24 Apr. 2020, https://on.wsj.com/3CdUCRc.

[24] Cutter, Chip, and Theo Francis. "Coronavirus Crisis Dents Salaries, Not Stock Awards, for Many CEOs." The Wall Street Journal, 3 June 2020, https://on.wsj.com/3fyGSGZ.

[25] Francis, Theo, and Kristin Broughton. "CEO Pay Surged in a Year of Upheaval and Leadership Challenges." The Wall Street Journal, 11 Apr. 2021, https://on.wsj.com/2VsTV5Q.

[26] Shields, Michael. "Big Ohio CEOs 306: Median Employee 1," Policy Matters Ohio, December 10, 2020, https://www.policymattersohio.org/research-policy/fair-economy/work-wages/big-ohio-ceos-306-median-employee-1

by revenue.[27] This increase was largely driven by the stock-related components of their compensation; in 2020, realized stock awards and stock options made up 83.1% of total CEO pay. The EPI uses a realized measure of CEO compensation, which measures the value of company shares when cashed out, as opposed to its value as granted, or at the time it was received. Using CEO compensation as granted, the analysis found that CEO pay fell by 0.2% in 2020. This suggests that rising CEO compensation in 2020 can almost entirely be attributed to the increased value of exercised stock options and vested stock awards, as executives cashed out their shares while stock prices were high, though over the long term CEO pay has outpaced the stock market. In contrast, EPI found that average compensation for the typical worker increased by only 3.9% in 2020: a figure which itself is likely overstated, since low-paid workers suffered extensive job loss in the pandemic, leaving only their higher paid counterparts to be counted in wage data.[28]

Corporations have also changed their own rules surrounding executive pay in order to protect CEOs' compensation during the pandemic. A report from the Institute for Policy Studies indicates that among the S&P 500 companies with the lowest median worker pay, 51 manipulated their rules to increase executive pay, such as by awarding special bonuses, lowering performance targets, and excluding poor quarter results from performance evaluations. Across these 51 corporations, average CEO compensation this year increased 29% to $15.3 million, while median worker pay decreased 2% from 2019, to just $28,187.[29]

Case Study: Dollar Tree

Retailer changed rules to protect CEO pay while it abandoned premium pay for frontline workers

According to the IPS study, Dollar Tree, which ranked 43rd among Ohio's largest employers, was one of the corporations that changed rules to protect its executives.[30] The corporation's proxy statement indicates that its compensation committee held eight board meetings to discuss "how COVID-19 would financially impact the Company's performance and executive compensation."[31] Despite failing to meet the original targets for their 2020 bonuses, executives were awarded restricted stock grants of approximately the same value by the board as if they had met those goals, equivalent to about $1.5 million for CEO Michael Witynski. By contrast, the median worker was paid only $15,816 in 2020, and although the company implemented a $2 hourly pay bump for frontline employees in March, it ended this increased pay in July. Overall, Witynski was paid 715 times more than Dollar Tree's median worker in 2020.[32]

[27] Mishel, Lawrence and Jori Kanda. "CEO Pay Has Skyrocketed 1322% since 1978," Economic Policy Institute, August 10, 2021, https://bit.ly/3EArJzk
[28] Ibid.
[29] Anderson, Sarah, and Sam Pizzigati. "Executive Excess Report 2021: Pandemic Pay Plunder." Institute for Policy Studies, May 2021, https://bit.ly/3iplzcN.
[30] Ibid.
[31] Dollar Tree, Inc. "Definitive Proxy Statement." U.S. Securities and Exchange Commission, 23 Apr. 2021, https://bit.ly/37rQizr.
[32] Anderson, Sarah, and Sam Pizzigati. "Executive Excess Report 2021: Pandemic Pay Plunder." Institute for Policy Studies, May 2021, https://bit.ly/3iplzcN.

Policy Matters Ohio

Case Study: General Electric
GE CEO took windfall stock earnings while company laid off 13,000
Larry Culp, the CEO of General Electric (Ohio's 37th largest employer), also benefited from a modified pay package, receiving $73.2 million in 2020 largely due to stock awards tied to a contract extension and reduced performance goals.[33] Culp forfeited his remaining salary in April 2020 due to COVID-19, as well as a cash bonus of up to $3.75 million, but was awarded stock worth $15 million in early March. GE awarded Culp another longer-term grant valued at $57.1 million in August when the company extended his contract, while also lowering the baseline share price performance target to $6.67— The stock was valued at about $12 when Culp became CEO in 2018. At the same time, the corporation cut 13,000 aviation jobs last year.[34] In May 2021, shareholders rejected the corporation's executive compensation plan in a nonbinding vote, with 58% of shares voting against the pay arrangement. Investment managing firm Neuberger Berman stated that GE's CEO compensation should have been lowered as result of the reduced performance targets.[35] GE has struggled since the Great Recession to shed troubled financial assets that it built up before the crisis. GE announced November that it will spin off its health care division in early 2023 and its energy businesses a year later, retaining only its aviation division.[36]

Corporations end hazard pay for frontline workers

As CEO pay climbed throughout the pandemic, frontline workers reaped fewer rewards, despite their heightened risk of contracting COVID-19. A November 2020 report by the Brookings Institution analyzed 13 of the 20 largest retailers in the U.S., finding that the corporations reaped an additional $16.7 billion in profit on average compared to the prior year, while frontline workers saw an increase of only $1.11 per hour since the start of the pandemic. Many CEOs ended their companies' hazard pay after only a few months; across the firms analyzed in the report, the average firm ended hazard pay for workers in June 2020.[37] A study from Public Citizen revealed similar findings. Examining the top 15 household retail corporations in the U.S., such as Walmart, Amazon and Kroger, the study found that while six corporations continued providing additional pay in some form throughout the year, nine of the corporations had entirely ended additional pay for their frontline workers by November. Together these nine corporations took in an additional $10.5 billion in profits in Fiscal Year 2020 to the date of the study, as compared with the same portion of FY2019.[38]

The Brookings report identified Best Buy, Home Depot and Target as exceptions in terms of their pandemic pay practices, paying workers $2.53 more per hour on average and permanently increasing their minimum wages. However, most corporations failed to fairly compensate the people risking their health on the frontlines throughout the pandemic. Walmart gave its full-time frontline workers

[33] Francis, Theo, and Kristin Broughton. "CEO Pay Surged in a Year of Upheaval and Leadership Challenges." The Wall Street Journal, 11 Apr. 2021, https://on.wsj.com/2VsTV5Q.
[34] Gryta, Thomas, and Theo Francis. "GE Chief Received Special Stock Award Now Valued at $100 Million." The Wall Street Journal, 11 Mar. 2021, https://on.wsj.com/2WKQeZB.
[35] Gryta, Thomas, et al. "General Electric, AT&T Investors Reject CEO Pay Plans." The Wall Street Journal, 4 May 2021, https://on.wsj.com/3lycz78.
[36] Lohr, Steve and Michael J. de la Merced. "GE breaks up with its storied past," New York Times, November 10, 2021, https://www.nytimes.com/2021/11/09/business/general-electric-break-up.html.
[37] Kinder, Molly, et al. "Windfall Profits and Deadly Risks." The Brookings Institution, 20 Nov. 2020, https://brook.gs/3ilDSj8. Average was measured as number of days since firms had last offered hazard pay at the time of the study: 133 days.
[38] Claypool, Rick. "Sacrificial Workers: Big Household Retail Corporations Saw Profits Skyrocket by More Than $14.6 Billion During the Pandemic – Yet Most Ended Extra Pay for Employees." Public Citizen, 19 Nov. 2020, https://bit.ly/3Cj81r6. Researchers compared FY2020 to the date of their study with the same portion of FY2019.

three bonuses of $300 each in April, June and August. This equated to only $0.63 an hour at the time of Brookings' report, representing a 6% nonpermanent pay increase for a full-time employee with a starting wage. In contrast, Walmart had raked in almost $5 billion in additional profit and its stock had increased 41% from the start of the pandemic to November 2020, adding more than $45 billion to the Walton family's wealth.[39] According to the report, Walmart could have quadrupled its hazard pay, paying nearly an additional $2.50 per hour, and still made more profit than it did in 2019.[40] Walmart's stock prices this November were comparable to November 2020 values.[41]

Likewise, Kroger provided employees with a one-time bonus of $300 in March, followed by an additional $2 per hour from the end of March through mid-May, and a final $400 bonus in June. After executives prematurely ended hazard pay, Kroger reported $211 million in stock buybacks in the second quarter and authorized a $1 billion share buyback program in September to drive up stock prices. Kroger's profits rose 90% in the first two quarters of 2020 compared to the same period in 2019,[42] and the corporation increased CEO Rodney McMullen's compensation by 6% for the year; he collected $22.4 million in 2020.[43] Forming a union can help. Kroger workers in Cincinnati and Dayton represented by United Food and Commercial Workers Local 75 won a contract this May that will lift their pay by $4.78 per hour over the next five years.[44]

Recommendations & conclusion

The fact that CEO pay has far outstripped pay growth for other groups — even other highly paid workers — reflects the unique position of power that CEOs have to set their own pay, not a competitive market for talent. This also means that CEO pay could be reduced with no loss of productivity or output in the economy. CEO pay is a major driver of inequity, and excessive pay gains captured by CEOs reduce financial resources available to pay other working people. Public policy choices have encouraged corporations to lavish CEOs with exorbitant compensation while holding down wages of rank-and-file workers. Policymakers at all levels of government can make different choices so working people share in the prosperity their labor helps create. CEOs were able to claim outsized pay by consolidating power; good public policy should help to restore balance by empowering ordinary Ohioans.

[39] Kinder, Molly, et al. "Appendix for Windfall Profits and Deadly Risks." The Brookings Institution, 20 Nov. 2020, https://brook.gs/2Vne7WV.
[40] Kinder, Molly, et al. "Windfall Profits and Deadly Risks." The Brookings Institution, 20 Nov. 2020, https://brook.gs/3ilDSj8.
[41] NYSE: WMT, 5 year, https://bit.ly/3Fem3eU, accessed December 8, 2021.
[42] Kinder, Molly, et al. "Appendix for Windfall Profits and Deadly Risks." The Brookings Institution, 20 Nov. 2020, https://brook.gs/2Vne7WV.
[43] Melin, Anders. "Kroger, Blasted for Ending Hazard Pay, Gave CEO $22 Million." Los Angeles Times, 16 May 2021, https://lat.ms/3rXP1dc.
[44] Redman, Russell. "UFCW Local 75 ratifies new contract with Kroger Cincinnati-Dayton Division," Supermarket News, May 27, 2021, https://bit.ly/3Ej8bP4.

Impose tax penalties on companies with outsized CEO pay.
A bill sponsored by Sens. Bernie Sanders, Elizabeth Warren, Ed Markey and Chris Van Hollen, as well as Reps. Barbara Lee and Rashida Tlaib, may incentivize corporations to reduce their pay ratios by raising federal tax rates for firms with large pay disparities. The tax penalty would be assessed above the 21% rate in the Internal Revenue Code of 1986, and would increase for corporations with larger pay gaps, ranging from 0.5% for companies with ratios of more than 50 to 1 to 5% for ratios above 500 to 1.[45] An analysis by Institute for Policy Studies estimates the bill would generate $150 billion over 10 years. If the bill had already been in place this year, Walmart, which has a ratio of 1,078 to 1, would have owed an additional $1 billion in federal taxes.[46]

States and localities have also taken action to penalize corporations with outsized executive pay. Portland, Oregon was the first city to impose such a tax increase, implementing a penalty on corporations that have contracts with the city and CEO pay ratios above 100 to 1. San Francisco voters likewise voted last year to increase taxes on companies with San Francisco offices that pay their CEOs more than 100 times the median worker.[47] Legislators in nine states — Connecticut, Hawaii, Illinois, Massachusetts, Minnesota, New York, Rhode Island and Washington — have also introduced similar proposals.[48]

Raise pay for working people with hazard pay and a living minimum wage.
State and local policymakers can use federal COVID relief dollars to provide premium pay to workers who have done critical infrastructure jobs on the frontlines during the COVID-19 pandemic. Several states, including Ohio's neighbors in Pennsylvania and Michigan, have used stimulus dollars to provide hazard pay to frontline workers.[49] The American Rescue Plan Act allows policymakers to award up to $25,000 in bonus pay to frontline workers.[50] Ohio cities and other local governments should use some of their ARP dollars to do so.[51]

Ohio or cities could follow the example of several cities that passed laws in early 2021 mandating corporations provide frontline workers with increased hazard pay during the pandemic. Seattle, Los Angeles, and Long Beach, Calif., among others,

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[45] S.794 Tax Excessive CEO Pay Act of 2021. 17 Mar. 2021, https://www.congress.gov/bill/117th-congress/senate-bill/794/text?r=20&s=1
[46] Anderson, Sarah. "How Corporations Pumped Up CEO Pay While Their Low-Wage Workers Suffered in the Pandemic." Institute for Policy Studies, 11 May 2021, https://bit.ly/3lsMFlf.
[47] Anderson, Sarah, and Sam Pizzigati. "Executive Excess Report 2021: Pandemic Pay Plunder." Institute for Policy Studies, May 2021, https://bit.ly/3in5X9C.
[48] "CEO-Worker Pay Resource Guide." Inequality.Org, https://bit.ly/2VsVhgW.
[49] Shields, Michael. "Essential in Ohio," Essential Ohio, July 2021, https://90a7d4d6-0bde-4565-8d20-e44caf499331.filesusr.com/ugd/951c80_744fbde72fed47fc9917e0d522514f2f.pdf
[50] Farmer, Liz. "Cities Can Use Their Federal Stimulus To Cover Up To $25,000 In Hazard Pay For Grocery Store And Other Essential Workers." Forbes, 13 May 2021, https://bit.ly/3ygkE1k.
[51] Shields, Michael. "Four Ways the American Rescue Plan can Support Working People," Policy Matters Ohio, July 1, 2021, https://www.policymattersohio.org/research-policy/fair-economy/democracy-government/economic-stimulus/four-ways-the-american-rescue-plan-can-support-working-people

have required supermarkets to provide bonus pay for cashiers and other employees facing high risk of exposure to COVID-19.[52] Passing such measures on a state level would reduce corporations' ability to retaliate: Kroger did so when it announced in February that it would close two stores in Seattle and two in Long Beach,[53] and announced in March it plans to close three Los Angeles stores.[54] Supermarket trade groups are also attempting to challenge the pay mandates in court, filing lawsuits against many of the cities that have passed similar rules, including Seattle.[55] Citing the record profits earned by grocery retailers during the pandemic, a U.S. district court judge dismissed the groups' suit against Seattle in March, allowing $4-per-hour hazard pay to take effect.[56]

While executive pay exploded, employers pushed down wages for the lowest paid workers. Policymakers let inflation erode the value of the minimum wage since its highest level in 1968, worth about $13 an hour in today's dollars.[57] Ohio lawmakers should pass a $15 minimum wage that values the dignity of work and meets the cost of living.

Policies are also needed to help working people to reclaim power. The Protecting the Right to Organize (PRO) Act would make it easier to form a union by keeping elections on track; ending "captive audience" meetings employers use to intimidate workers; providing for swift reinstatement of wrongly fired workers; and holding executives accountable by making them personally liable when they break the law.[58]

[52] Kang, Jaewon. "Supermarkets Are Pressured to Raise Hazard Pay." The Wall Street Journal, 24 Feb. 2021, https://on.wsj.com/3rRXfTY.
[53] Ibid.
[54] Moon, Sarah, and Travis Caldwell. "Kroger Will Close 3 Grocery Stores Following Los Angeles Hazard Pay Mandate." CNN, https://cnn.it/2WQqDOV.
[55] Kang, Jaewon. "Supermarkets Are Pressured to Raise Hazard Pay." The Wall Street Journal, 24 Feb. 2021, https://on.wsj.com/3jnfRHN.
[56] Browne, Michael. "Judge dismisses lawsuit to overturn Seattle's hazard pay ordinance," Supermarket News, March 18, 2021, https://www.supermarketnews.com/issues-trends/judge-dismisses-lawsuit-overturn-seattle-s-hazard-pay-ordinance
[57] Shields, Michael. "Fairer pay will boost Ohio," Policy Matters Ohio, April 2021, https://www.policymattersohio.org/research-policy/fair-economy/work-wages/minimum-wage/fairer-pay-will-boost-ohio
[58] Celine McNicholas, Margaret Poydock, and Lynn Rhinehart, "How the PRO Act restores workers' right to unionize," The Economic Policy Institute, February 4, 2021, https://www.epi.org/publication/pro-act-problem-solution-chart/

Shareholders can leverage their power for change

Shareholders can exert influence with say-on-pay votes and through pension funds

Even if policymakers won't take the necessary action, there are ways people can come together to make sure corporations don't overpay CEOs while holding down employees' wages.

Say-on-pay votes: Say-on-pay advisory votes may mitigate against board approvals of lavish pay and bonus packages at some firms over time, but this year corporate boards flouted shareholder votes on executive pay. Advisory votes on executive compensation are non-binding, meaning that corporations can disregard them, but companies whose votes fail tend to alter their CEO pay plans over time to gain shareholder approval.[59] A vote by shareholders to disapprove a CEO's pay package is an important first step, because such rejections are uncommon. Starbucks shareholders this year voted against a plan that included a bonus award of $1.86 million and a three-year retention cash bonus of up to $50 million to CEO Kevin Johnson.[60] Walgreens investors also voted against the corporation's pay plan, as the company excluded part of its 2020 results in a bonus calculation, allowing three executives to still collect stock awards worth $7.68 million.[61] Both corporations moved forward with their executive pay plans despite shareholders' disapproval.

Pension funds: Pension funds can be powerful vehicles to organize say-on-pay votes that combat excessive pay and encourage higher compensation for workers. As You Sow, a shareholder advocacy nonprofit which tracks shareholder votes on CEO pay, found that in 2020, 15 of the largest pension fund managers voted against more than half of the compensation proposals put forth for the 100 most overpaid CEOs. The California Public Employees' Retirement System (CalPERS) most frequently opposed the pay packages among U.S.-based pension funds, voting against 76% of As You Sow's most overpaid CEOs. Ohio Public Employees Retirement System (OPERS) voted against 60% of those pay packages.[62] Working people can direct their investments to firms that promote equity, create the quality jobs that support vibrant communities, and invest in sustainability.[63]

According to As You Sow, shareholder opposition to outsized CEO compensation is growing, in part due to policy changes by large financial managers. The New York State Teachers Retirement System voted against all pay proposals that received either a "D" or "F" under Glass Lewis's grading system, rather than only those that received an "F" grade. Glass Lewis is a shareholder advisory company focused on sound corporate governance. It noted in its 2020 guidelines that it expects companies that cut jobs due to COVID-19 to have likewise reduced their executive pay. Other investors have also evaluated executive pay more closely in light of the pandemic. The Los Angeles County Employees Retirement Association (LACERA) flagged strategies to maintain high executive pay despite worsening performance, including moving bonus targets, as a cause for concern, but has not yet explicitly outlined action the fund will take to address it.[64]

[59] Bi, Ran. "CEO Pay Mix Changes Following Say on Pay Failures." The Harvard Law School Forum on Corporate Governance, 23 Feb. 2019, https://bit.ly/2VuFLB8.
[60] Haddon, Heather. "Starbucks Shareholders Reject Executive Pay Proposal." The Wall Street Journal, 17 Mar. 2021, https://on.wsj.com/3ikDC3Q.
[61] Melin, Anders. "CEO Pandemic Pay: 'Heads I Win, Tails I Win Almost as Much.'" The Seattle Times, 11 May 2021, https://bit.ly/3jlQ6Y9.
[62] Weaver, Rosanna Landis. "The 100 Most Overpaid CEOs 2021: Are Fund Managers Asleep at the Wheel?" As You Sow, Feb. 2021, https://bit.ly/2TTn35x.
[63] Heartland Capital Strategies, https://www.heartlandnetwork.org/about-us, accessed December 19, 2021.
[64] Ibid.

Policy Matters Ohio

Appendices

Appendix A

CEO/Median Employee Pay 2020						
Ohio's major employers that reported ratios						
Company	Ohio Employment Rank	Ohioans Employed	CEO Name	Total CEO Comp.	Median Comp.	Ratio
Wal-Mart Stores, Inc.	2	50,400	Doug McMillon	$22,574,358	$20,942	1,078
Kroger Co.	3	35,950	Rodney McMullen	$22,373,574	$24,617	909
Amazon.com, Inc.	9	23,500	Jeff Bezos	$1,681,840	$29,007	58
JPMorgan Chase & Co.	10	21,000	Jamie Dimon	$31,671,589	$80,102	395
United Parcel Service, Inc.++	14	14,150	Carol Tomé	$14,276,035	$44,254	323
Progressive Corporation	19	12,650	Tricia Griffith	$15,220,523	$72,368	210
Home Depot, Inc.	20	12,500	Craig Menear	$13,995,092	$27,389	511
Lowe's Companies, Inc.	22	12,000	Marvin Ellison	$23,075,881	$24,554	940
L Brands, Inc.*	25	11,000	Andrew Meslow	$18,494,939	$9,876	1,873
Cedar Fair, L.P.	27	10,500	Rodney McMullen	$1,437,733	$7,912	182
Huntington Bancshares Incorporated	27	10,500	Stephen Steinour	$8,007,682	$60,841	132
Procter & Gamble Company	31	10,000	David Taylor	$22,905,128	$68,883	333
Berkshire Hathaway, Inc.	32	9,700	Warren Buffett	$380,328	$68,543	5.55
PNC Financial Services Group, Inc.	32	9,700	William Demchak	$15,900,479	$80,350	198
Whirlpool Corporation	34	9,600	Marc Bitzer	$17,064,835	$22,113	772
AT&T, Inc.**	34	9,600	John Stankey	$20,320,917	$89,399	227
Target Corporation	36	9,500	Brian Cornell	$19,755,188	$24,535	805
General Electric Company	37	9,300	H. Lawrence Culp Jr.	$73,192,032	$53,928	1,357
Marathon Petroleum Corporation***	38	8,900	Michael Hennigan	$15,648,848	$41,285	379
CVS Health Corporation	39	8,800	Larry Merlo	$23,057,647	$55,716	414
Kohl's Corporation	41	8,550	Michelle Gass	$12,855,375	$11,708	1,098
Fifth Third Bancorp	42	8,050	Greg Carmichael	$9,766,478	$69,436	141
Dollar Tree, Inc.****	43	8,000	Michael Witynski	$11,312,662	$15,816	715
Charter Communications Inc. / Spectrum	44	7,950	Tom Rutledge	$38,846,705	$56,568	687
Dollar General Corp.	47	7,700	Todd Vasos	$16,452,823	$16,688	986
Ford Motor Company*****	50	6,850	Jim Farley	$12,491,540	$61,778	202
Cleveland Cliffs	52	6,750	Lourenco Goncalves	$18,511,405	$101,940	182
TJX Companies Inc	54	6,600	Ernie Herrman	$14,541,737	$13,135	1,108
Cardinal Health, Inc.	57	6,400	Mike Kaufmann	$14,231,109	$54,619	261
KeyCorp+	57	6,400	Christopher Gorman	$6,252,963	$67,571	93
Walgreens Boots Alliance, Inc.	59	5,800	Stefano Pessina	$17,483,187	$33,396	524
American Electric Power Co., Inc.	60	5,750	Nick Akins	$15,503,434	$140,965	110
Sherwin-Williams Company	63	5,000	John Morikis	$15,323,284	$46,839	327
U.S. Bancorp	65	4,800	Andrew Cecere	$16,771,529	$76,932	218

Company	Ohio Employment Rank	Ohioans Employed	CEO Name	Total CEO Comp.	Median Comp.	Ratio
Anthem, Inc.	68	4,700	Gail Boudreaux	$17,109,952	$61,544	278
Macy's, Inc.	70	4,600	Jeffrey Gennette	$11,083,293	$20,085	552
FirstEnergy Corp.+++	71	4,400	Chuck Jones	$10,261,184	$156,509	66
Alliance Data Systems Corp.	71	4,400	Ralph Andretta	$12,299,988	$64,869	190
UnitedHealth Group	74	4,300	David Wichmann	$17,888,569	$55,696	321
FedEx Corporation	75	4,200	Frederick Smith	$11,138,548	$49,059	227
AutoZone	75	4,200	William Rhodes III	$11,531,361	$26,759	432
General Motors Corporation	80	4,150	Mary Barra	$23,657,987	$117,566	201
Starbucks Corporation	83	3,800	Kevin Johnson	$14,665,575	$12,113	1211
Norfolk Southern Corporation	84	3,750	James Squires	$14,137,290	$102,637	138
Abercrombie & Fitch Co.	85	3,700	Fran Horowitz	$11,949,691	$1,820	6,565
Big Lots, Inc.	85	3,650	Bruce Thorn	$7,725,640	$10,124	763
J. C. Penney Corporation, Inc.++++	89	3,400	Jill Soltau	NA	NA	NA
Cincinnati Financial	90	3,350	Steven Johnston	$3,839,784	$100,751	38
Cintas Corporation	91	3,300	Scott Farmer	$6,698,520	$55,712	120
Goodyear Tire & Rubber Company	91	3,300	Richard Kramer	$16,003,113	$48,659	329
Verizon Communications Inc.	91	3,300	Hans Vestberg	$19,115,084	$170,288	112
Emerson Electric Company	97	3,100	David Farr	$16,490,284	$48,786	338
Lincoln Electric Holdings, Inc.	97	3,100	Christopher Mapes	$7,077,536	$48,913	145
Rite Aid Corporation	99	3,050	Heyward Donigan	$9,590,796	$33,212	289
Honeywell International Inc.	100	3,000	Darius Adamczyk	$19,075,281	$64,438	296

**Meslow became CEO May 14, 2020. Meslow's total compensation was not annualized. **Stankey became CEO Jul. 1, 2020. ***Hennigan became CEO Mar. 17, 2020. ****Witynski became CEO Jul. 20, 2020. *****Farley became CEO Oct. 1, 2020. +Gorman became CEO May 1, 2020. ++Tomé became CEO Jun. 1, 2020. United Parcel Service was moved from rank 61 (with 5,000 employees) to rank 14 in a revision July 2021. +++FirstEnergy had multiple CEOs in 2020 as a result of Jones' termination of employment on Oct. 29 2020. Steven Strah was appointed as the new CEO effective Mar. 8, 2021. Total CEO compensation in 2020 was calculated based on the compensation of Jones, with base salary and cash bonuses annualized. ++++Data unavailable for J.C. Penney, as the company filed for bankruptcy in May 2020.*

Appendix B

CEO/Median Employee Pay 2020						
Fortune 500 Companies that reported ratios						
Company	Headquarters Location	Fortune 500 Rank	CEO Name	Total CEO Comp.	Median Comp.	Ratio
Cardinal Health, Inc.	Dublin	14	Mike Kaufmann	$14,231,109	$54,619	261
Kroger Co.	Cincinnati	17	Rodney McMullen	$22,373,574	$24,617	909
Marathon Petroleum Corporation*	Findlay	32	Michael Hennigan	$15,648,848	$41,285	379
Procter & Gamble Company	Cincinnati	43	David Taylor	$22,905,128	$68,883	333
Progressive Corporation	Mayfield	74	Tricia Griffith	$15,220,523	$72,368	210
Sherwin-Williams Company	Cleveland	162	John Morikis	$15,323,284	$46,839	327
American Electric Power Co., Inc.	Columbus	204	Nick Akins	$15,503,434	$140,965	110
Parker-Hannifin	Cleveland	223	Thomas Williams	$18,862,861	$54,179	348
Goodyear Tire & Rubber Company	Akron	246	Richard Kramer	$16,003,113	$48,659	329

Company	Headquarters Location	Fortune 500 Rank	CEO Name	Total CEO Comp.	Median Comp.	Ratio
L Brands, Inc.**	Columbus	257	Andrew Meslow	$18,494,939	$9,876	1,873
FirstEnergy Corp.***	Akron	294	Chuck Jones	$10,261,184	$156,509	66
Fifth Third Bancorp	Cincinnati	358	Greg Carmichael	$9,766,478	$69,436	141
Andersons	Maumee	366	Patrick Bowe	$3,768,443	$80,401	47
American Financial Group****	Cincinnati	376	S. Craig Lindner, Carl Lindner III	$9,631,170	$78,569	123
J.M. Smucker	Orrville	378	Mark Smucker	$12,450,437	$87,098	143
Cincinnati Financial	Fairfield	386	Steven Johnston	$3,839,784	$100,751	38.1
KeyCorp*****	Cleveland	396	Christopher Gorman	$6,252,963	$67,571	93
Dana	Maumee	408	James Kamsickas	$10,536,432	$39,615	266
Cintas Corporation	Mason	410	Scott Farmer	$6,698,520	$55,712	120
Owens Corning	Toledo	413	Brian Chambers	$7,549,789	$60,773	124
Big Lots, Inc.	Columbus	449	Bruce Thorn	$7,725,640	$10,124	763
O-I Glass	Perrysburg	455	Andres Lopez	$8,783,162	$34,582	254
RPM International	Medina	489	Frank Sullivan	$9,183,765	$57,290	160

*Source: Policy Matters Ohio from Schedule 14(A) company proxy statement filings with SEC. Information contained in the table is all from 2020. Unless otherwise stated, total CEO compensation for CEOs appointed in 2020 indicates the new CEO's pay, with base salary and non-equity incentives annualized. *Hennigan became CEO Mar. 17, 2020. **Meslow became CEO May 14, 2020. Meslow's total compensation was not annualized. ***FirstEnergy had multiple CEOs in 2020 as a result of Jones' termination of employment on Oct. 29 2020. Steven Strah was appointed as the new CEO effective Mar. 8, 2021. Total CEO compensation in 2020 was calculated based on the compensation of Jones, with base salary and cash bonuses annualized. ****American Financial Group has two CEOs; the listed CEO compensation is the higher compensation of the two. *****Gorman became CEO May 1, 2020.*