SURVEY REPORT:

Companies Should Reduce Income Inequality by Raising Minimum Wage to Living Wage and Capping CEO Compensation

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JUST capital

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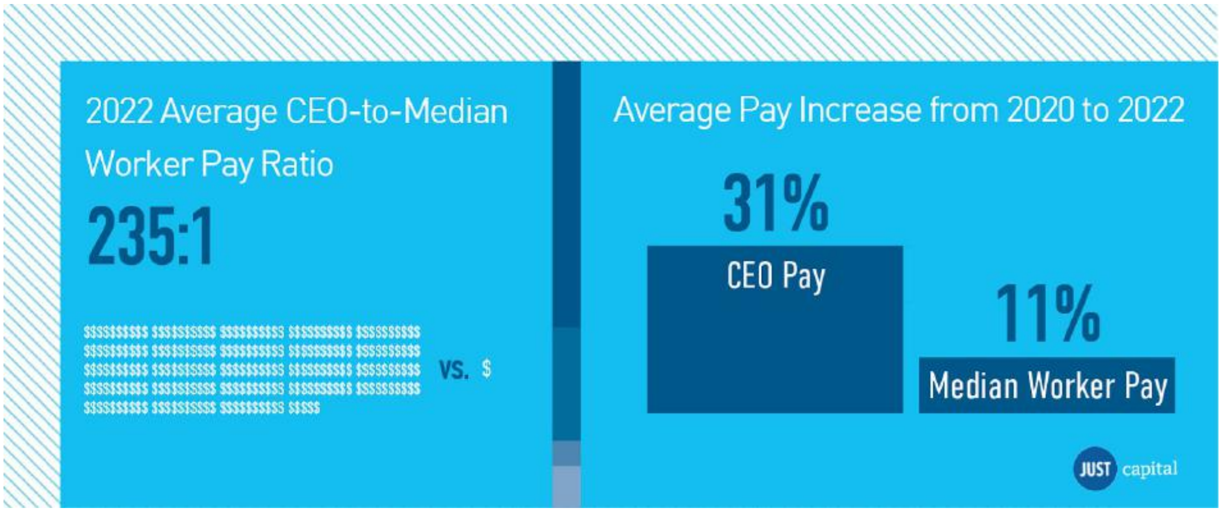
Introduction

For decades, there has been a rapidly widening gulf between our nation's highest and lowest earners. Despite hopes that the pandemic might lead companies to hit a much-needed "reset" and orient themselves and their workers toward a more equitable trajectory, we've instead only seen that gulf widen.

In our 2021 Americans' Views on Business Survey, we asked respondents what issues they believe CEOs should take a stand on, and **70% agreed that income inequality should be on their list.** With research suggesting that income inequality actually slows economic growth, reducing demand by 2-4%, this is not just a moral imperative but a financial one. Furthermore, rapidly rising inflation – which will impact low-wage workers the most – creates an even stronger case for why companies need to focus in this moment on policies that lift up the average American worker, as Ford Foundation president Darren Walker recently discussed on CNBC.

And yet the wealth gap between CEOs and their workers has continued to widen. In our latest analysis of the companies in our 2022 Rankings, we found that **the average CEO-to-Median-Worker Pay Ratio is 235:1 as of 2020,** up from 212:1 three years prior**.** Specifically, average **CEO pay increased 31% in the last three years while median worker pay increased only 11%**, showing clearly that the hoped-for "reset" remains far from our reach.



And as we look ahead, the 2022 proxy season is shaping up to be an especially active one, with CEO pay a growing investor concern. A February report from As You Sow found that opposition to excessive CEO pay has been increasing among pension and fund managers in the last few years, with packages rejected by shareholders at 16 companies – more than double those that were turned down in 2019.

An April report from Brookings investigated the state of worker pay today and found that, among the 22 companies that employ more than 7 million frontline workers, only one-third pay at least half their workers a living wage and company shareholders were rewarded five times more than workers. While there have been positive changes in 2022 – like Verizon raising its minimum wage to $20/hour – median CEO pay nevertheless continues to grow, up to $14.2 million among S&P 500 companies, from $13.4 million the year before.

In an effort to better understand public perception on this issue – and its larger implications for America's workforce – we worked with our polling partner SSRS to survey a representative sample of 1,037 U.S. adults, asking them whether they think CEO pay is too high or too low, what companies should be doing to narrow the CEO-to-Median-Worker Pay Gap, and whether they think workers are undervalued by corporate America today.

Methodology

This survey was conducted online within the United States by SSRS on behalf of JUST Capital. The survey fielded between February 4 and February 7, 2022. SSRS interviewed a representative sample of 1,037 U.S. adults (age 18 or older) for this survey from among its online Opinion Panel, a nationally representative, geographically diverse, and probability-based web panel reaching respondents in all 50 states.

The margin of error is +/- 4% at a 95% confidence level. Results were weighted to U.S. Census parameters for age, gender, education, race/Hispanic ethnicity, Census Division and specifically surrounding party identification in order to ensure representativeness of the U.S. population. All margins of error include "design effects" to adjust for the effects of weighting. For complete survey methodology, including weighting variables and subgroup sample sizes, please contact jtonti@justcapital.com.

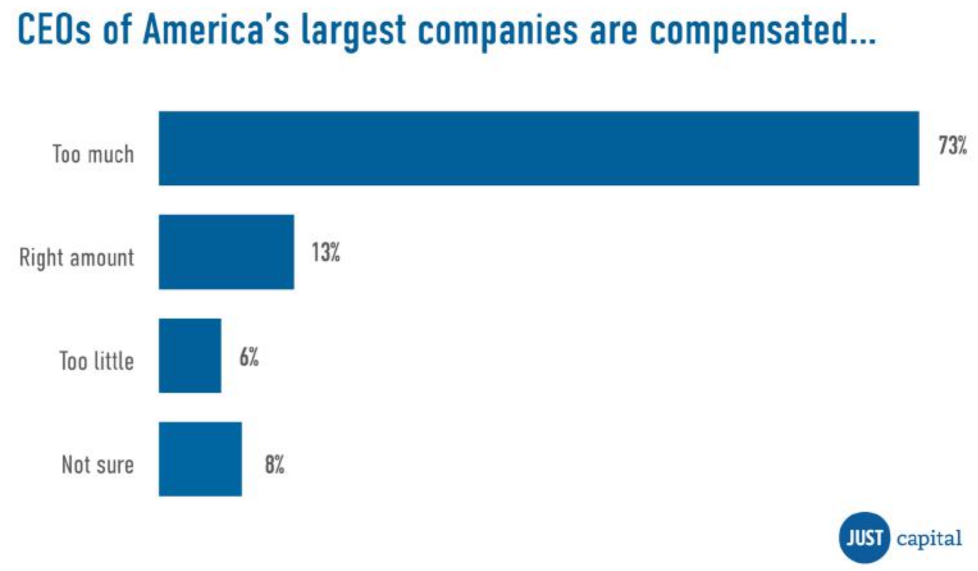
Key Findings

- The average **CEO-to-Median-Worker Pay Ratio in 2022 is 235:1, up from 212:1 in 2020**. Specifically, average CEO pay increased 31% in the last three years (2020-2022) while median worker pay increased only 11%.
- Industries with the highest pay gap ratios include **Automobiles & Parts, Restaurants & Leisure, Household Goods & Apparel, Health Care Providers,** and **Internet**, which tend to employ higher majorities of low-wage workers.
- Almost **nine in 10 Americans (87%)** agree that the growing gap between CEO pay and worker pay is a problem in this country today.
- **73%** say that most CEOs of America's largest companies are compensated too much, vs. 13% who say they are paid the "right amount."
- **85%** agree that one way that America's largest companies can make a meaningful impact to reduce income inequality is by raising their minimum wage to a living wage.
- **81%** of Americans believe large corporations are responsible for ensuring basic financial security of their lowest-paid workers.
- **66%** of Americans believe wage stagnation is a major problem and **80%** say the recent wave of worker strikes and support for labor unions are seeking to address the fact that large corporations have undervalued workers for too long.

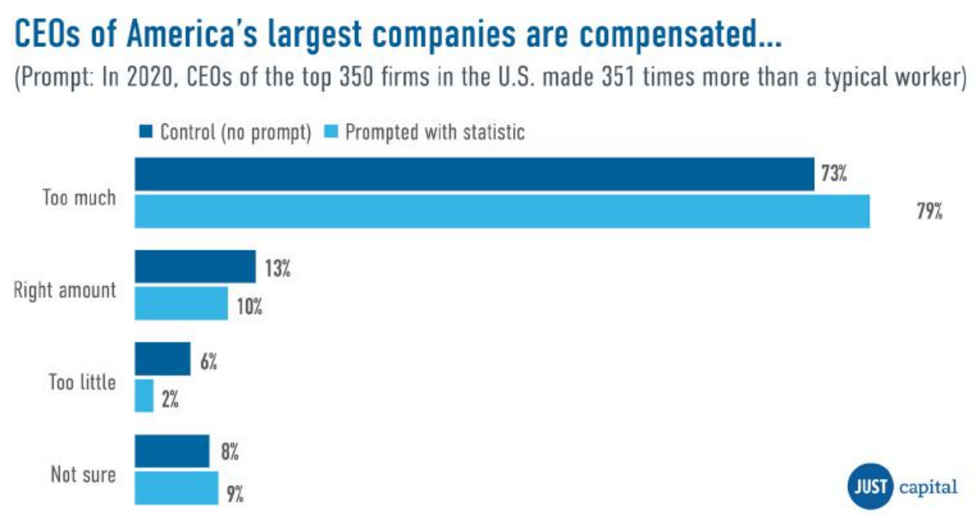
Below, we explore each of these key findings in more depth, including charts that visualize important takeaways.

Americans Say CEO Pay Is Too High

We reached out to a cross-section of the American public to get a sense of how aware they are of levels of CEO pay, and whether they believe their compensation is adequate, too much, or too little for the job that chief executives do. In order to understand the degree to which the public is already informed about this subject, we split the sample into two groups, with the control group seeing only the core question ("Do you think most CEOs of America's largest companies are compensated too much, too little, or about the right amount?"), and the experimental group who were asked the same question but also prompted with a CEO pay statistic from the Economic Policy Institute: "In 2020, the chief executive officers of the top 350 firms in the U.S. made 351 times more than a typical worker."

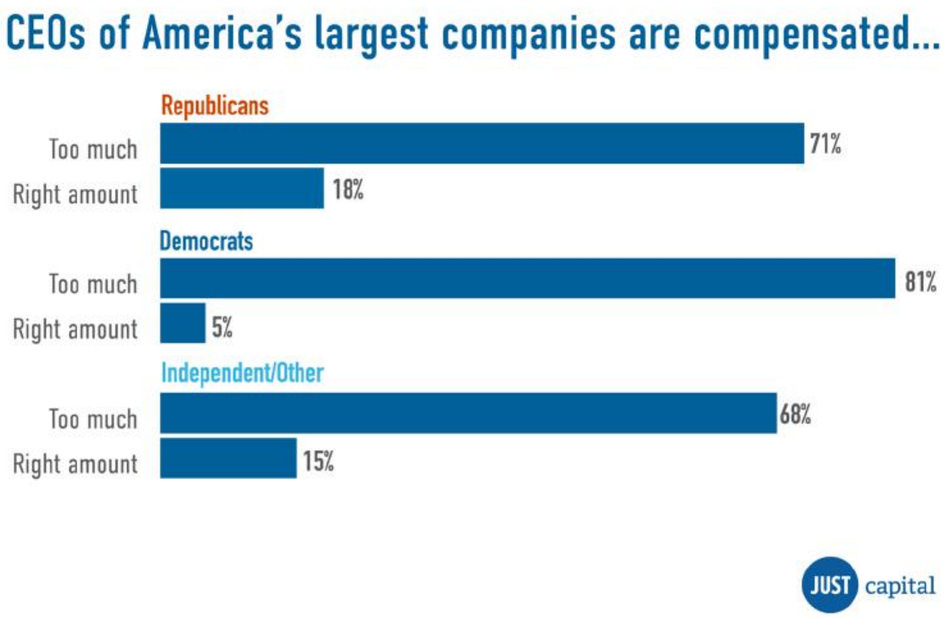


For the experimental group, who were shown the compensation ratio statistic, a slightly higher percentage (79%) said that CEOs of America's largest companies are compensated too much vs. 10% who say they are paid the "right amount."

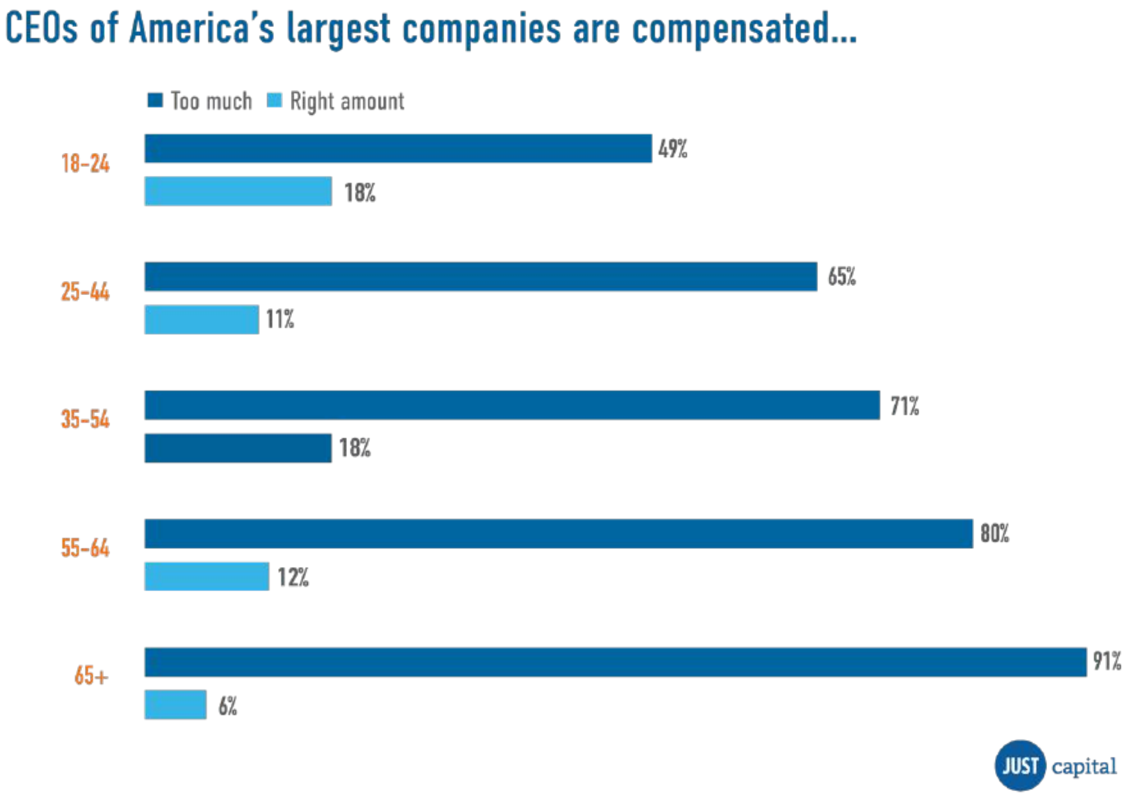


The takeaway is that, while the additional information shared with respondents does provide helpful context, the difference between the control and experimental group is negligible, suggesting that regardless of the details, Americans have a solid sense that CEO compensation is unacceptably high.

Among those who align themselves with a political party, majorities in all three groups say that CEO compensation is too high, regardless of whether they were first shown a compensation ratio statistic before answering the question.



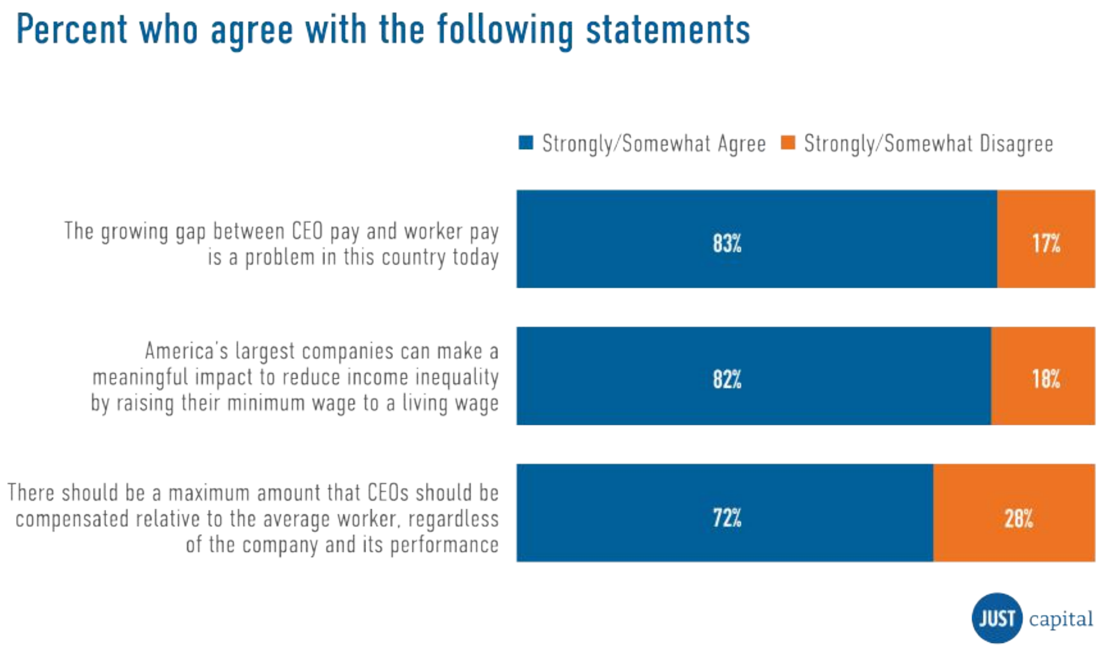
Though majorities agree that CEOs are paid too much, there is more variance when looking at percentages across age groups, with fewer Americans aged 18–24 saying CEO pay is too high than other age breaks, particularly late Gen X-to-Boomer groups (age 55+).

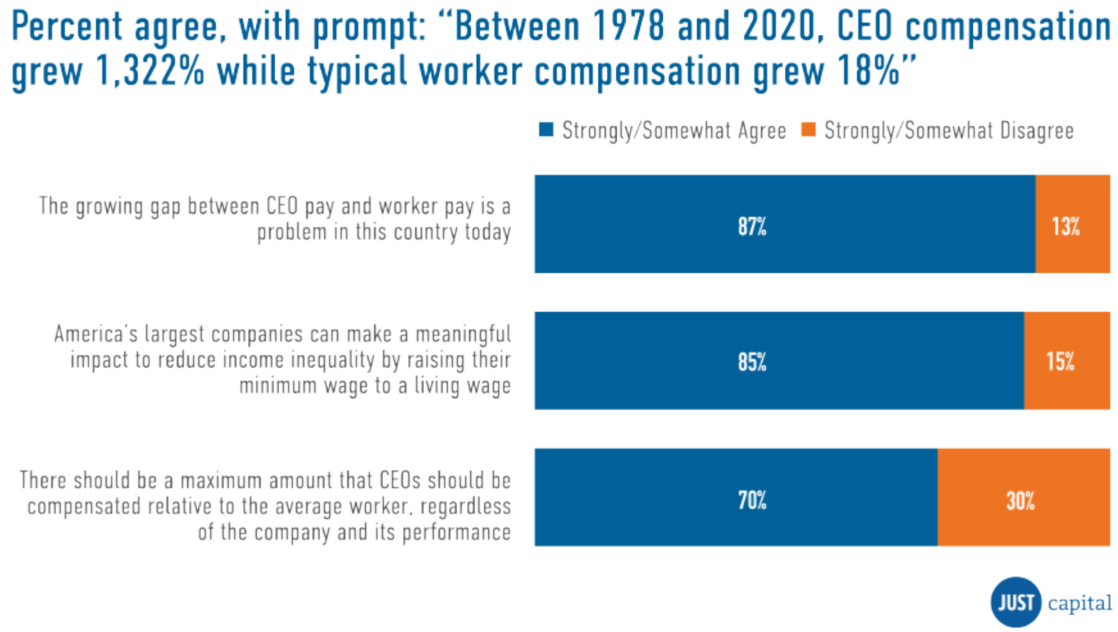


The CEO-to-Worker Pay Gap Is a Problem

To better understand Americans' opinions on CEO pay, we asked them their level of agreement with a battery of statements. A control group was just shown the statements, while an experimental group was prompted with another statistic from the EPI before answering the question: "Between 1978 and 2020, CEO compensation grew 1,322% while typical worker compensation rose by 18%."

Again, we found that both groups have remarkably similar responses, regardless of whether they had additional information about CEO to worker pay ratios.





The data once again signal that Americans have an informed sense that there is a misalignment in the proportion of CEO pay vis-à-vis lower-wage workers. And our own analysis reinforces their beliefs – with the CEO-to-Median-Worker Pay Ratio increasing to 235:1 as of 2020, it's no surprise that nearly four in five Americans agree it's a problem.

Interestingly, while our analysis showed that the average CEO pay increased 31% between 2020 and 2022, the *median* CEO pay only increased 4% – suggesting that pay has risen more dramatically for some. To wit: **eight CEOs in the Russell 1000 were paid over $150 million in 2022, representing 10x the average CEO pay of their peers**.

Furthermore, certain industries show heightened disparity – those with the highest pay gaps (averaging above 340:1 from 2020 to 2022) include Restaurant & Leisure, Healthcare Providers, and Internet, many of which employ large numbers of frontline workers. Those with the lowest pay gaps (averaging below 160:1 from 2020 to 2022) include Banks, Capital Markets, and Computer Services.

Looking at this data across various demographic groupings, there is near universal agreement for two of the three statements.

Percentage agree: The growing gap between CEO pay and worker pay is a problem in this country today.

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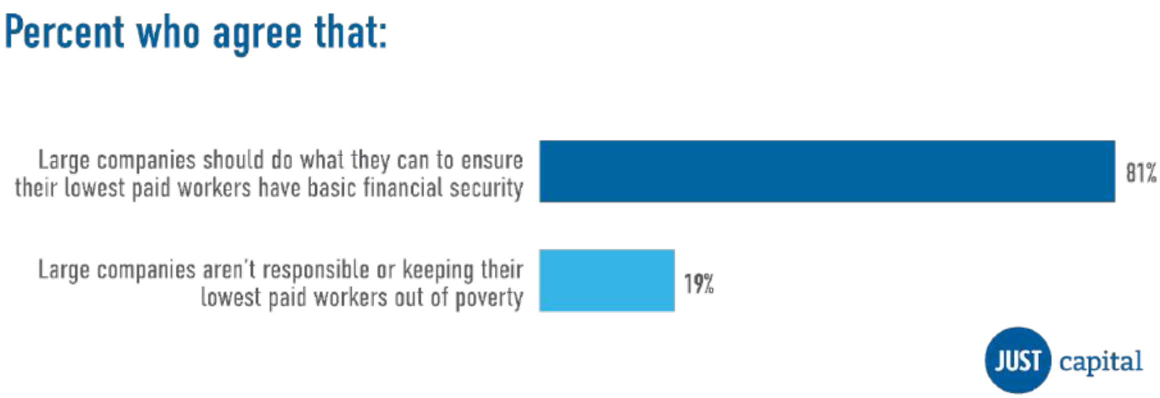
Percentage agree: Companies can reduce income inequality by raising their minimum wage to a living wage.

When asked whether CEOs should have a maximum compensation cap, Americans are again in agreement, though at varying levels when looking at demographic groupings, particularly age.

Percentage agree: There should be a maximum amount that CEOs are compensated relative to the average worker.

Americans Say Companies Should Pay a Living Wage

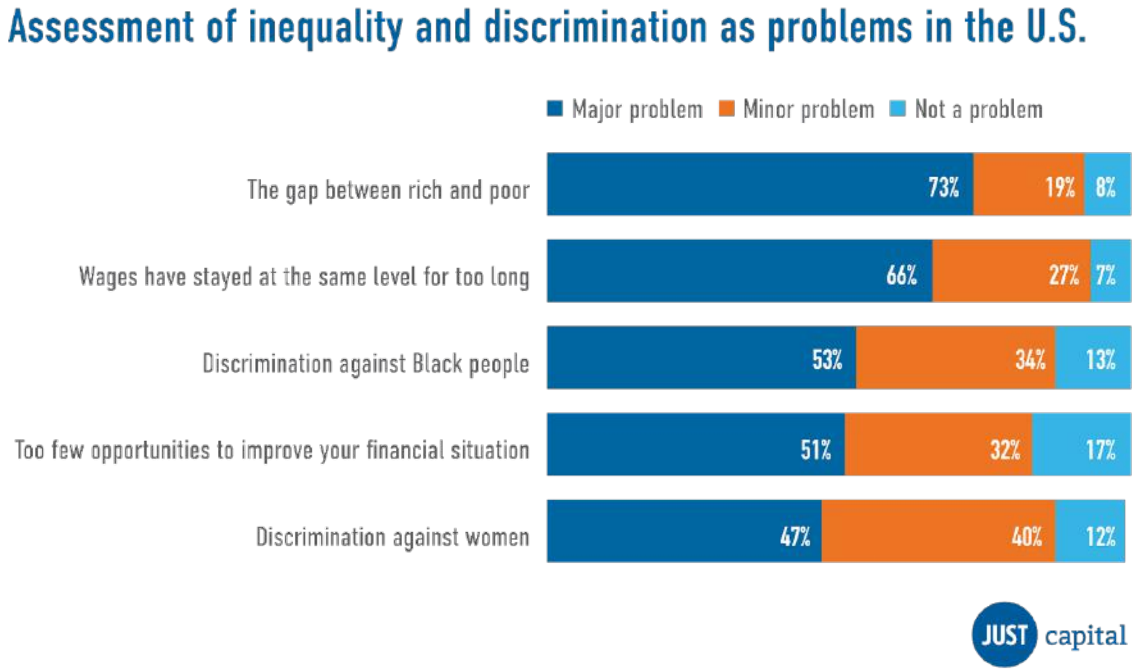
To address these vast disparities, companies should make a substantial investment in their workforces. Our polling shows that a substantial majority (81%) of Americans say that companies should do what they can to ensure their lowest-paid workers have basic financial security.



New jobs often come with bigger paychecks. A new survey from The Conference Board revealed that nearly one-third of workers who left their jobs during the pandemic are making more in their new roles. And yet, currently rising inflation rates can essentially zero out positive gains from increased wages, as paychecks lag behind rising prices – making it essential that companies pay their workers, a wage that not only covers the cost of basic needs at the local level but solves for macroeconomic factors such as inflation.

Majorities Agree That Inequality is a Major Problem in the U.S.

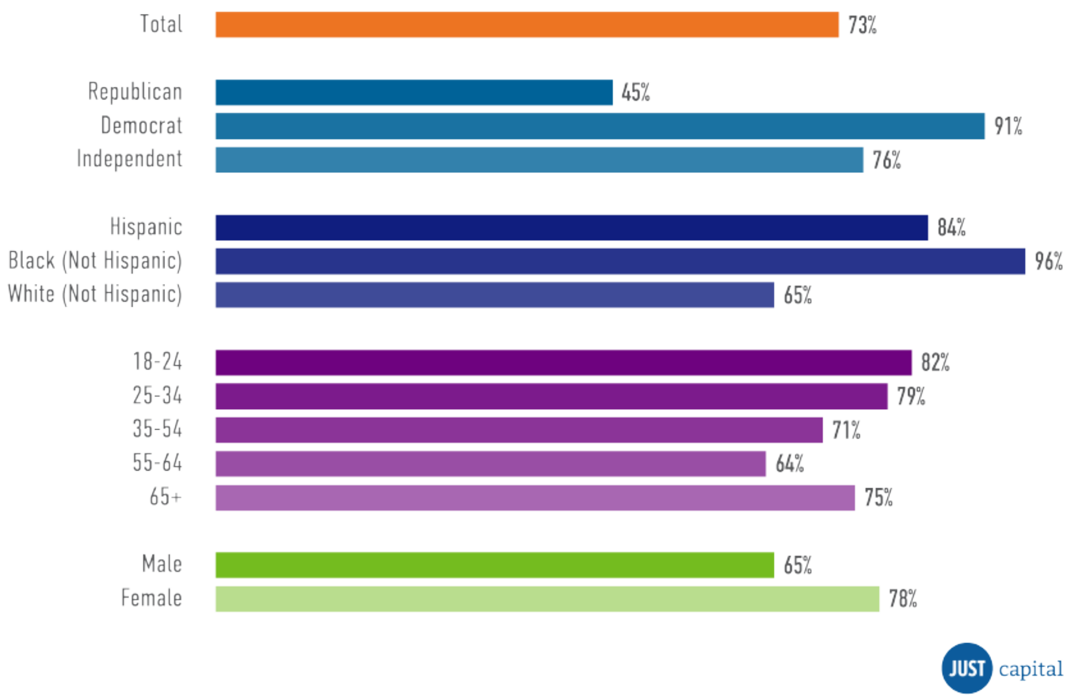
To better understand their views on the severity of these issues, we asked Americans whether they believe certain national issues are significantly problematic and found that large majorities believe that income and wealth inequality are major problems. Almost three in four say the gap between rich and poor is a major problem, and for good reason: income inequality ratios between the highest and lowest percentiles have been steadily rising over the past five decades.



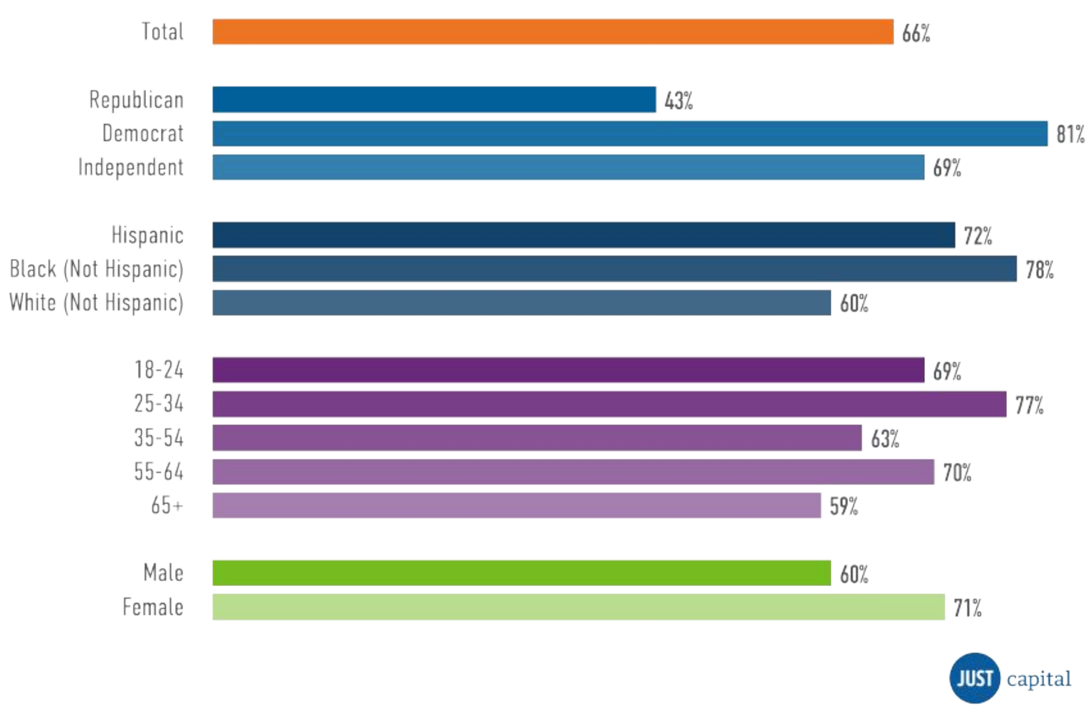
Relatedly, two in three Americans agree that wage stagnation is a major problem in our country and just over half (51%) say there aren't enough opportunities to improve one's individual financial situation. About half of Americans acknowledge discrimination against Black people (53%) and women (47%) as major problems.

While in most cases strong majorities agree that the following are major problems, the percentages do vary across party lines, gender, and certain race/ethnicity groupings. There is additional, albeit less variance across age groupings, however there is a relatively clear delineation between younger and older Americans when it comes to their attitudes toward opportunity and wages.

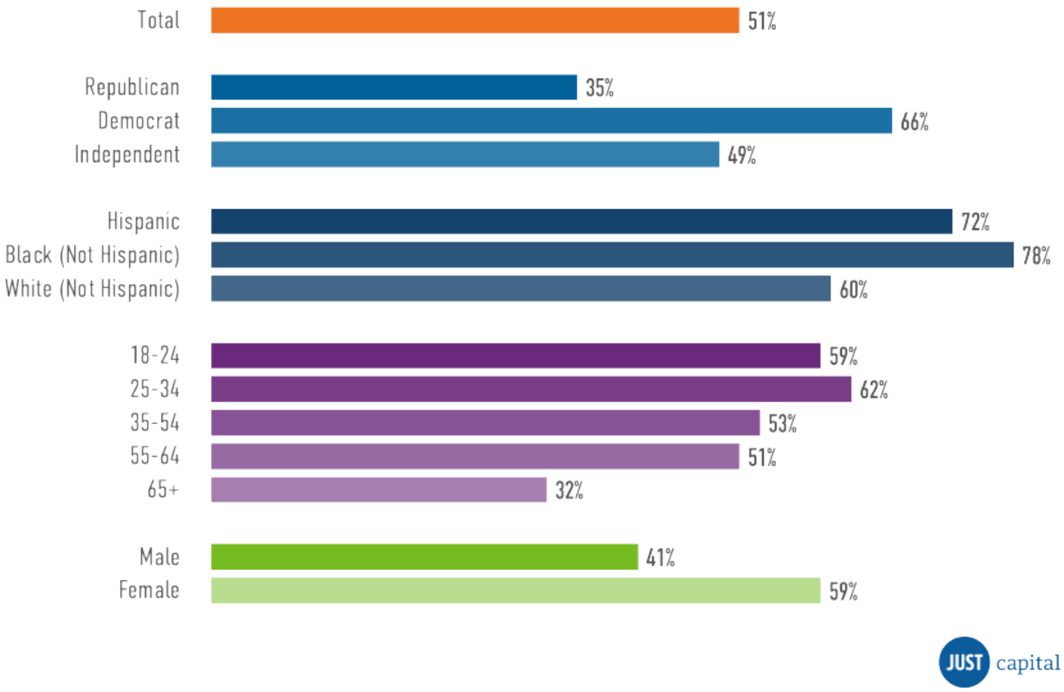
Percent agree: The gap between rich and poor is a major problem.



Percent agree: Wages have stayed at the same level too long.



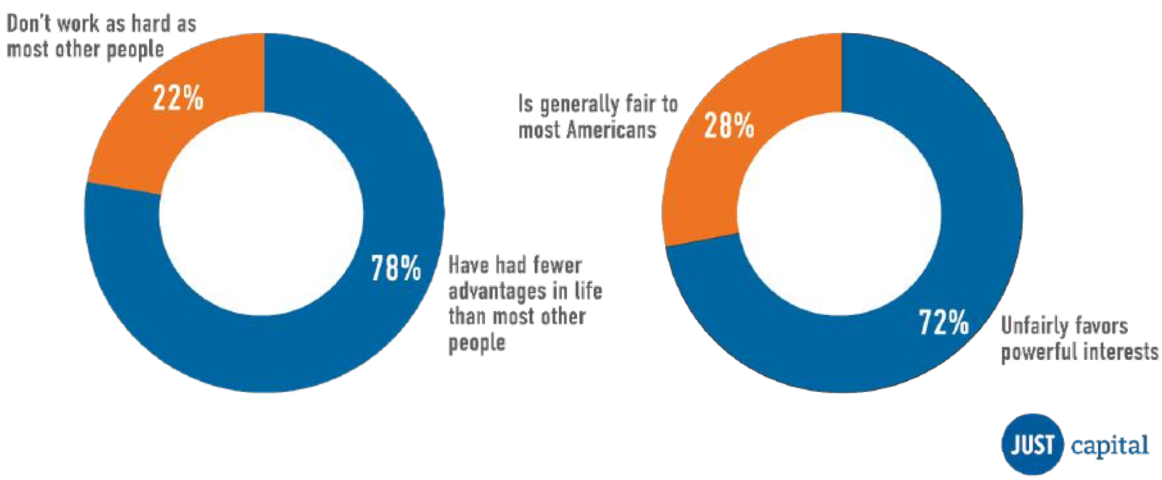
Percent agree: There are too few opportunities to improve one's financial situation.



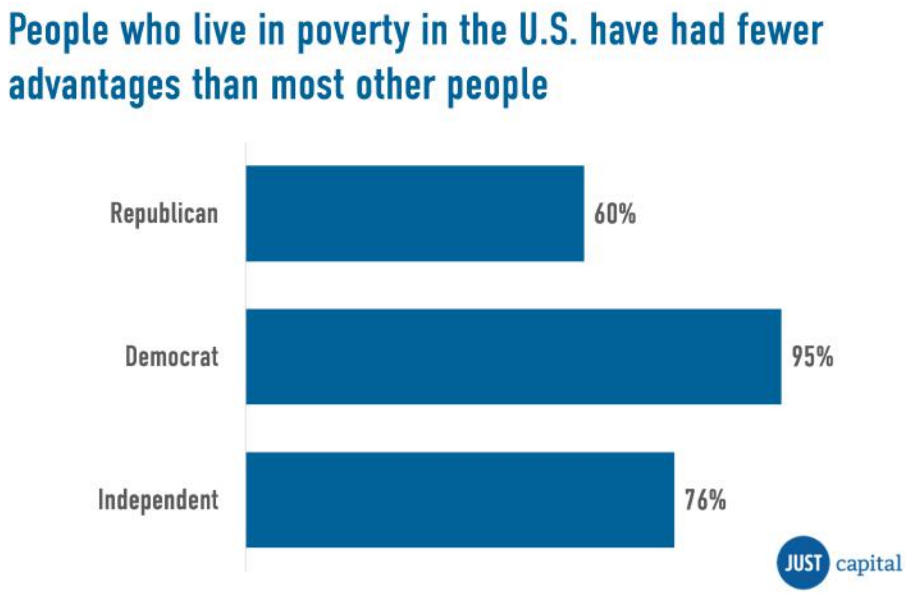
The public goes on to acknowledge a general and widening economic imbalance. Roughly three-quarters of respondents (72%) say the economic system in the U.S. unfairly favors powerful interests while only 28% believe the economic system is generally fair to most Americans. In a similar vein, a large majority of Americans (78%) agree that poverty is a result of having fewer advantages in life, vs. 22% of respondents who see it as a lack of hard work.

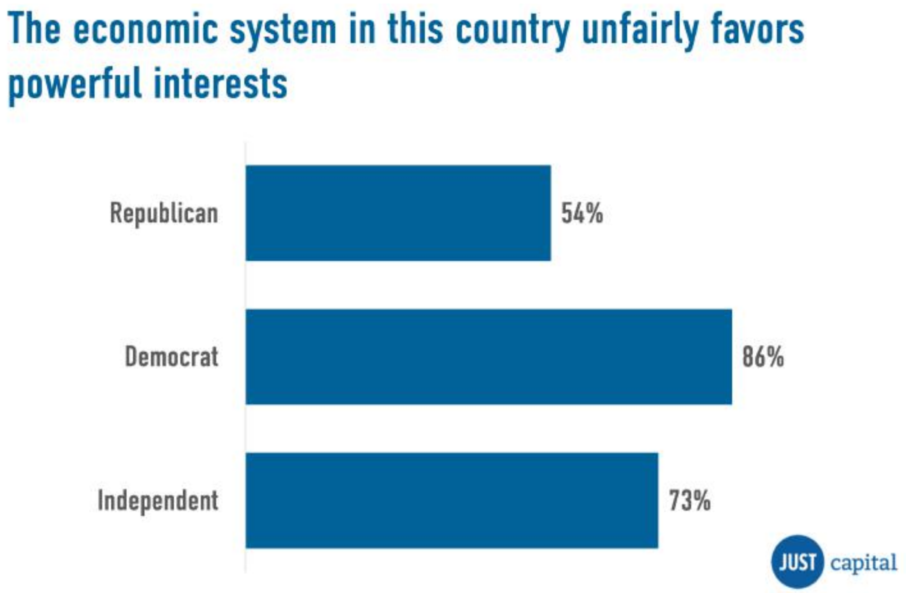
People who live in poverty in the U.S. ...

The U.S. economic system...



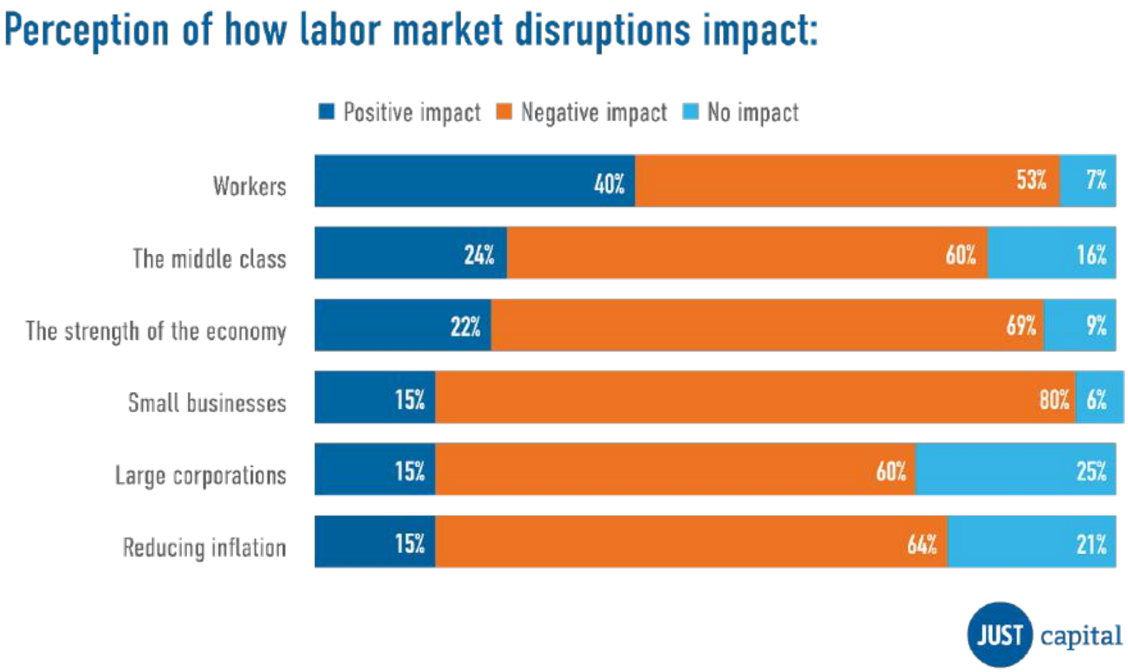
For these two statements, we do see some variance in how members of the three main political parties perceive the unequal distribution of wealth and opportunity in America. While a majority of Republicans align with how most Americans view these issues, there are higher percentages of both Democrats and Independents who agree.





The Long-Term Impacts of the Great Resignation

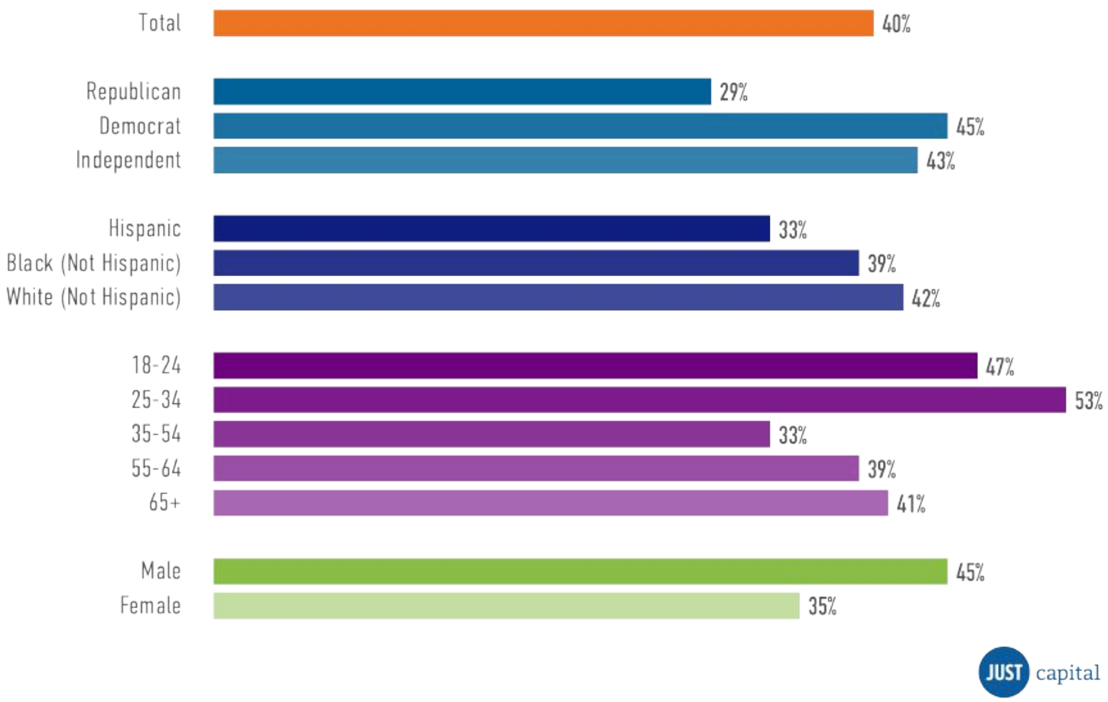
Monthly quit rates continue at record highs and there are currently more job openings than there are people seeking work. But as wages remain flat despite the booming job market, it remains to be seen whether current labor market disruptions will yield better outcomes for workers in the long term. We asked the public what they anticipated, and majorities agreed that the impacts of high quit rates, low unemployment, and large numbers of open jobs will ultimately be negative for key stakeholders of the American economy – including workers overall, small businesses, and large corporations alike.



It is important to note that, although most respondents say the current labor market will have a net negative impact on workers, 40% say the impact of labor disruptions will actually be positive – suggesting that the future of workers is especially unknown.

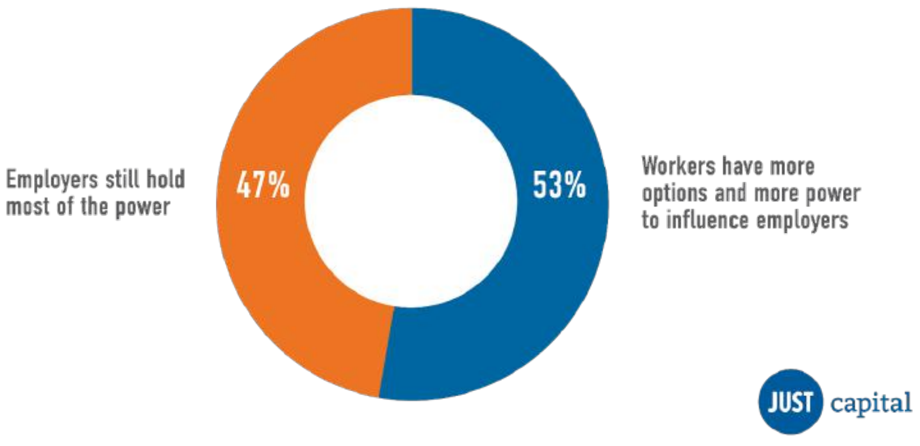
Among key demographic groups – including Republicans, Hispanic Americans, and older Americans, there is more uncertainty about a positive outcome for workers. Respondents age 18–34 are the most bullish that current labor market disruptions will end up benefiting workers, as they are in a life stage most immediately likely to benefit from The Great Reshuffling.

Percent agree: Labor market disruptions will have a positive impact on workers.

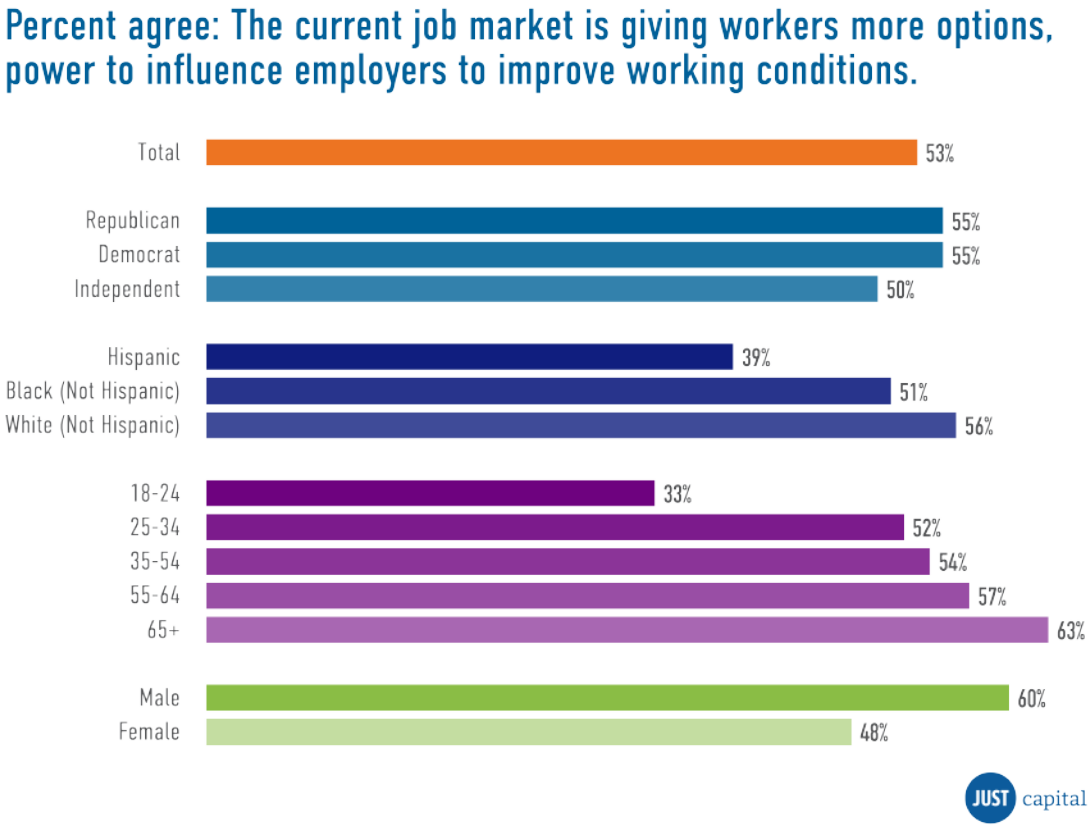


We see that Americans are mostly split on their opinion whether the current labor unrest will have a net positive effect on worker power and ability to influence employers for better working conditions, with 47% saying that employers still hold most of the power in the workplace and a slight margin (53%) saying that there has been a power shift.

Views on worker power in the current job market

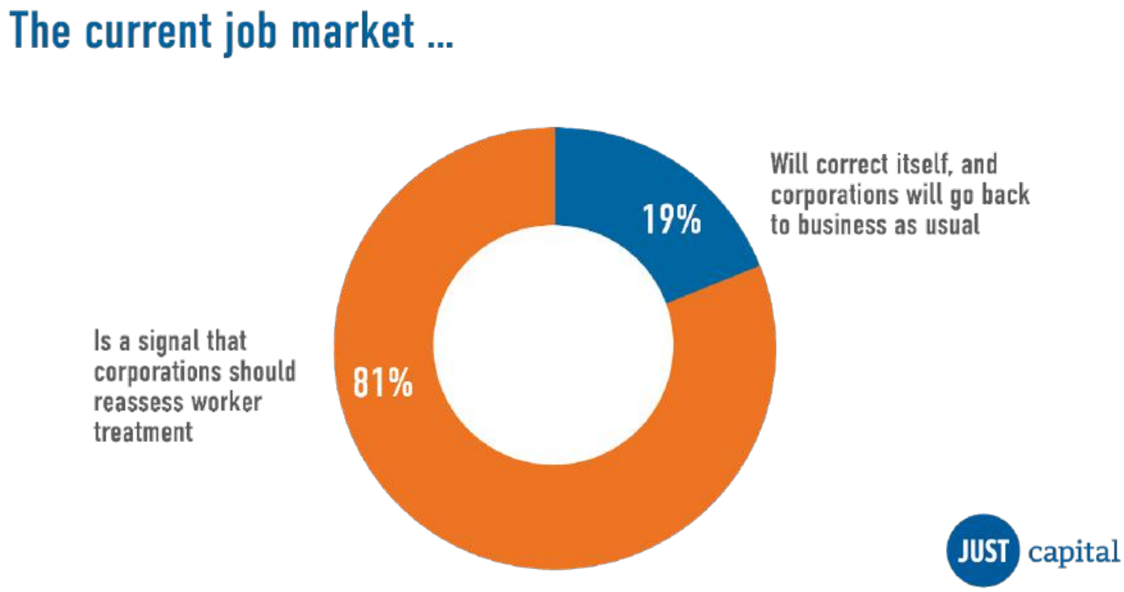


When we look at demographic splits, it becomes clear which groups are optimistic or pessimistic about the shift in the balance in power. Young people age 18–24, women, and Hispanics are substantially less inclined to say workers are beginning to have more options in the workplace vis-à-vis their employers.



Further, Americans say companies are responsible for the current disruptions in the job market. 80% say the recent wave of strikes and unionizations are a signal that workers have been undervalued for too long.

Market data from January 2022 shows that the tightened labor market does not appear to be waning: employers reported 11.3 million job openings, down a bit from December 2021 but still at record highs. Corporate leaders say it's increasingly difficult to find and keep workers and as such have prioritized hiring and retaining talent. We asked the public their opinion about what is driving this instability: more than eight in 10 said that it is a signal that corporations need to reassess their treatment of their workers.



Companies Can Take Steps to Reduce Income Inequality

The message from the public is clear: responsibility lies with corporate leaders – including chief executives – to address income inequality in America today. Closing the gap requires action at the highest and lowest rungs of the corporate ladder. Ballooning CEO wages should be curbed, yes, but these measures won't matter unless worker wages and employee financial health become a priority for C-suite leaders – something we provided key guidance around through our Worker Financial Wellness Initiative. Ensuring that our nation's lowest-paid workers are able to cover their basic costs of living is an essential step toward addressing income inequality, and Americans clearly agree that companies can play a part by raising their minimum wages to a living wage.

CEO compensation must also be addressed. Companies can generously compensate their leadership while providing a cap for CEO pay that limits the stratospheric growth of C-suite compensation while potentially resulting in positive downstream effects for workers should those wages be redistributed amongst the workforce. A recent study from the Financial Times showed that capping CEO compensation could help lift low-wage workers out of financial insecurity. Playing out a hypothetical scenario in which 110 of the largest publicly US traded companies capped their CEO wages at $1 million, the FT found that workers at these companies could receive an extra $400/month -- an amount the Federal Reserve has said more than one-third of Americans could not cover if an unexpected bill came up.

Finally, tying CEO compensation to stakeholder-focused outcomes is a growing movement among corporate boards of some of America's largest companies. Starbucks, for example, recently joined Apple and Disney in tying executive pay to ESG targets, such as retaining workers of color and reducing greenhouse gas emissions. An analysis by ISS shows that since 2018 there has been a three-fold increase in the number of Russell 3000 companies that tie executive compensation to corporate social responsibility metrics.

With consumers, investors, and the American public writ large all growing frustrated with skyrocketing CEO compensation packages, this model is a way of rewarding CEOs for better serving their stakeholders – including their workers – or holding them accountable when they do not. It represents a key step, along with prioritizing worker financial security, in addressing wage inequality and building a more just and equitable economy for all Americans.

Please explore more details on these findings in the questionnaire in the appendix and the subgroup cross-tables here**.**

Appendix

Questionnaire

1. How much of a problem, if at all, do you think each of the following are in the country today?

   [SCALE: Major problem, Minor problem, Not a problem, DK]

   1. The gap between rich and poor
   2. Wages have stayed at the same level for too long
   3. Too few opportunities to improve your financial situation
   4. Discrimination against Black people
   5. Discrimination against women

2. For each pair of statements, please choose the statement that comes closest to your views.

   A: The economic system in this country unfairly favors powerful interests
   B: The economic system in this country is generally fair to most Americans

   A: People that live in poverty in the US don't work as hard as most other people
   B: People that live in poverty in the US have had fewer advantages in life than most other people

   A: Large companies should do what they can to ensure their lowest paid workers have basic financial security
   B: Large companies aren't responsible for keeping their lowest paid workers out of poverty

3. As you may know, a record number of workers quit their jobs in 2021. At the same time, unemployment is very low, and there are more job openings than there are people seeking work.

   Do you think this will have a positive impact, negative impact, or no impact on each of the following...?

   [SCALE: Positive impact, Negative impact, No impact, DK]

   a. The strength of the economy
   b. Workers
   c. Small businesses
   d. Large corporations
   e. The middle class
   f. Reducing inflation

4. For each pair of statements, please choose the statement that comes closest to your views.

   A: The current job market is a signal that it is time for corporations to reassess how they treat workers if they want to stay competitive
   B: The current job market will correct itself and corporations will be able to continue business as usual.

   A: The recent wave of worker strikes and new employee unions are just workers trying to get more for doing less
   B: Large corporations have undervalued workers for too long, and recent employee strikes and new unions are trying to address this issue.

   A: The current job market is giving workers more options and more power to influence employers to improve their work conditions
   B: Despite the job market, employers still hold most of the power to decide how workers are valued.

   A: It's in a company's best interest to invest in retaining workers by providing better wages and job opportunities
   B: It's in a company's best interest to try to get as much out of employees for as little investment as possible.

5. [**A ONLY**]: In 2020, the chief executive officers of the top 350 firms in the U.S. made 351 times more than a typical worker.] [**BOTH A & B**] In general, do you think most chief executive officers of America's largest companies are compensated too much, too little, or about the right amount?

   [**SPLIT SAMPLE A/B**: A - treatment group, exposure to information about CEO and worker pay; B - control group, no exposure to information about CEO pay]

   1. Too much
   2. Too little
   3. Right amount
   4. Not sure

6. [**A ONLY**: Between 1978 and 2020, CEO compensation grew 1,322% while typical worker compensation rose by 18%.] [**BOTH A & B**] How much do you agree or disagree with the following statements?

   1. Strongly agree
   2. Somewhat agree
   3. Somewhat disagree
   4. Strongly disagree
   5. DK/Not sure

   a. There should be a maximum amount that CEOs should be compensated relative to the average worker, regardless of the company and its performance.
   b. The growing gap between CEO pay and worker pay is a problem in this country today.

America's largest companies can make a meaningful impact to reduce income inequality by raising their minimum wage to a living wage, that is, enough to cover the cost of basic living expenses in a particular geographic area.

ABOUT JUST CAPITAL

JUST Capital, an independent, nonprofit organization, makes it easier for people, companies, and markets to do the right thing by tracking the business behaviors Americans care about most. Our research, rankings, indexes, and data-driven tools help people make more informed decisions about where to invest, work, and buy to direct capital towards companies advancing a more just future. America's Most JUST Companies, including the groundbreaking JUST 100, is published annually in Forbes and on JUSTCapital.com.

JUST Capital was co-founded in 2013 by a group of concerned people from the world of business, finance, and civil society – including Paul Tudor Jones II, Deepak Chopra, Rinaldo Brutoco, Arianna Huffington, Paul Scialla, and others. Our mission is to build a more just marketplace that better reflects the true priorities of the American people. We believe that business, and capitalism, can and must be a positive force for change. We believe that if they have the right information, people will buy from, invest in, work for, and otherwise support companies that align with their values. And we believe that business leaders are searching to win back the trust of the public in ways that go beyond money. By shifting the immense resources and ingenuity of the $15 trillion private sector onto a more balanced – and more just – course, we can help build a better future for everyone.

ABOUT THE AUTHORS

JENNIFER TONTI Graduated with a B.S. in International Business from American University. Prior to working at JUST Capital, Jennifer worked in research at EarthLink and Chanel, and at a variety of media companies including Forbes, USA Today, and Business Insider.

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