Profiting off of the pandemic, CEO pay increased to record levels in 2021 while workers' wages fell

Kevin Reed
5 April 2022

In the second year of the pandemic, the chief executives of the top US corporations are on track to set new compensation records while the wages of their workers were reduced. This is the conclusion drawn by several analyses of pay data submitted by a group of S&P 500 corporations to the US Securities and Exchange Commission (SEC) as part of their annual filing requirements.

On Sunday, the *Wall Street Journal* reported that median pay for CEOs rose to $14.2 million last year, up from a record $13.4 million in 2020. The report said that half of the companies reported median wages for their workers increased in 2021 by 3.1 percent. However, this is less than half of last year's inflation rate of 6.7 percent, and it means that these workers took an effective paycut.

The *Journal* report noted, "Most CEOs received a pay increase of 11 percent or more, and pay rose by at least 25 percent for nearly one-third of them." It also reported that for one-third of the companies, median employee pay declined last year.

These figures are based on a review by the *Journal* of "pay data for more than half the index from MyLogIQ LLC." MyLogIQ is a provider of SEC compliance services and has access to the government agency public filings database.

The CEOs of nearly half the companies reporting were paid 186 times that of median workers in 2021. The *Journal* report says, "That is up from 166 times in the year before the pandemic and 156 times in 2018, the first year that nearly all S&P 500 companies reported median employee pay."

The compensation data is provided to the SEC by the corporations as part of the disclosures mandated by the Dodd-Frank Act of 2010 which was passed in the wake of the 2008 financial crisis sparked by the collapse of the mortgage-backed securities markets on Wall Street. The CEO compensation figures include the value of stock awards along with salary, cash bonuses, perks and retirement benefits.

The *Journal's* report goes on to air the complaints of business executives that the pay ratio data is a "blunt instrument that offers little meaningful insight." The corporate representatives also criticize the reporting requirements because the SEC rules "give companies significant leeway on how they rank workers globally to identify the median employee," and the pay for median workers is determined "using the same rules that govern reported CEO pay."

Also on Sunday, the *Financial Times* (FT) reported that the pay data is "raising the prospect of fresh clashes with investors and employees as the gap between their earnings and those of their staff widens to a historic multiple in the wake of the Covid-19 pandemic."

The FT's analysis—based on information from the data company Equilar—said that CEO pay ratio shot up to 245 times that of a median employee in 2021 compared to 192 times in 2020, the largest one-year increase since the start of the disclosures in 2018. The report attributed the record gap to the stock market rally that "delivered far larger windfalls to bosses than to their employees."

The FT also pointed out that the jump in CEO compensation was the result of bonuses that were paused or cut in 2020 during the pandemic. This makes clear that the reductions in executive compensation during the initial economic shocks of the coronavirus were little more than public relations window dressing as workers were suffering widespread unemployment and expanding poverty, as well as sickness and death from COVID-19.

It did not take long for the process of capitalist wealth accumulation for the super-rich to resume on a higher level than anything achieved prior to the pandemic. Meanwhile, some US corporations never bothered to slow down the growth of increasingly grotesque wealth inequality throughout the pandemic. At the grocery store chain Kroger, for example, the CEO pay ratio was 909 times that of a median worker’s wages in 2020, and the company has yet to file with the SEC for 2021.

A third study published on March 29 by Harvard Law School Forum on Corporate Governance based on the Equilar data reported on the early trends in executive compensation showed that CEO pay had “bounced back strongly from pandemic ‘woes’.” The report showed that CEOs in the top 75th percentile increased by 22 percent last year from $16.8 million to $20.5 million, and the pay ratio increased by 42 percent from 307.5 to 437 times a median worker’s wages.

Significantly, the Harvard report also showed that for all categories—25th percentile, median and 75th percentile—the median employee compensation was reduced from 2020 to 2021. The steepest decline was among the lowest income group, the 25th percentile, where compensation was cut by 25 percent from $44,946 to $33,493. When inflation is added to this reduction, the wages of the lowest paid employees of the top 500 companies in the US were cut by more than 30 percent.

The data reported by approximately one-half of the S&P 500 companies shows that the US financial elite have not only taken advantage of the pandemic to dramatically increase their wealth through the unprecedented rise of the stock market fueled by a massive infusion of cash into Wall Street by the Federal Reserve Bank. The corporations have also used the social devastation caused by the criminal response of the US government to the public health crisis to intensify the exploitation of the working class by slashing wages.

The *Wall Street Journal* report highlighted the compensation of Pat Gelsinger, CEO of Intel Corporation, who earned a package worth $179 million, which is 1,700 times the pay of its median employee who was identified as “a program manager in Malaysia” who earned a total of $104,400. The *Journal* said Intel justified Gelsinger’s windfall because it “reflected his experience, the challenge of transforming Intel and $50 million in compensation he gave up by leaving business software company VMware Inc.”

Another featured compensation program was that of the private equity firm KKR & Company, which paid its co-CEOs Joseph Bae and Scott Nuttall approximately $559 million and $523 million respectively. A KKR spokesperson told the *Journal*, “The vast majority of the compensation is performance-based stock that will have to more than double in value for the stock awards to fully vest.”