Legal Notes: August 2015

A new (sorta) requirement is coming out of Washington. Starting in 2017 every publicly owned company will be required to publish one very interesting number: the relationship between the CEO's pay and that of the company's average employee.

This rule has been long in coming, five years to be precise. Many, including the Chamber of Commerce, have opposed it. But the rule will put a single number to a growing problem in corporate America: run away corporate pay.

In the 1950's and 1960's, corporate leaders, whether through a sense of proportion or humility, kept their salaries in line with that of their employees. Beginning in the 1980's, those corporate salaries began to take off. For example, in 1965 the average CEO only made 20 times that of the average employee, now the ratio is up to 400 times.

Let's put that in perspective. If the average employee's hourly wage is $15, and the CEO makes 400 times that amount, the CEO's hourly wage is $6,000. That's right: $6,000 an hour. I don't even make that much.

This newly requires number may even be undercounting the difference in pay. Many corporate executives have other incomes in the form of pensions, stock options and other goodies that apparently don't go into this calculation.