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AFR Applauds SEC'S Release of CEO-to-Median-Worker Pay Rule

More than three years after the enactment of the Dodd-Frank financial reform law, the Securities and Exchange Commission moved forward today with a proposed rule requiring publicly held companies to disclose the ratio of their CEO's pay to their median employee's pay.

The rule has been slow to emerge, but ultimately the Commission stood firm in the face of a major [industry campaign](#) against a common-sense disclosure requirement. In its proposal, the Commission also correctly insisted that part-time and overseas workers be included in the calculation, consistent with the language and intent of the statute.

Runaway pay for executives and traders, often linked to short-term or illusory gains, was one of the driving forces behind the pervasive misconduct leading to a financial and economic meltdown from which the country is still struggling to escape.

Today the pay gap between CEOs and the average American worker is outrageously high - 354-1, according to an end-of-2012 [calculation](#) by the AFL-CIO. In the [most recent](#) of its annual Executive Excess reports, the Institute for Policy Studies pointed out that the financial sector has been home to many of the highest-paid CEOs of the past few decades, including the former chiefs of a number of firms whose risk-taking and risk concealment helped bring on the meltdown.

Shareholders need to have more information about pay practices, both to guard their own pocketbooks against risky bets by self-seeking executives and to evaluate a

company's long-term soundness: runaway pay at the top breeds opportunism and cynicism up and down the line.

So it is a very positive development that the SEC is now moving forward on this long-delayed proposal, and we urge timely adoption of the final rule. We also urge the Commission to move ahead expeditiously and effectively with the additional compensation provisions of Dodd-Frank.

- [Executive Excess 2013: Bailed Out, Booted, and Busted](#)
- [Wall Street's Two Cents: Industry's Opposition to a Modest Pay Disclosure Rule](#)
- [When Is Data Collection Burdensome? When It's About CEO Pay](#)