TELL ME HOW MUCH YOU MAKE

QUICK STATS

- **CONFERENCE:** Regulation
- **TEAM:** Securities and Exchange Commission
- **FUMBLE:** $315 Million to enact the “Pay Ratio Disclosure” rule
- **HOW TO RECOVER THE BALL:** Pass regulatory reform legislation that eliminates unnecessary burdens from the backs of America’s businesses

With 141 rules and regulations yet to be finalized as part of the financial regulations imposed by the Dodd-Frank Act, American businesses will have a wealth of opportunies to be subjected to new regulatory burdens and higher compliance costs. Unfortunately, these costs will be passed on to American consumers. Most recently SEC finalized the Pay Ratio Disclosure Rule, which requires all publicly traded companies to report annually the ratio of the average employee’s median salary to the salary of the CEO.[345]

After hearing from thousands of businesses and other groups, the federal government estimated the rule’s total regulatory compliance cost will be more than $315 million. Compliance will also require 2.3 million hours of company personnel time.[346] However, as American businesses have witnessed too many times, regulatory costs often exceed initial federal estimates—likely because regulators do not adequately communicate with those who will operate under the regulations to allow them to suggest possible consequences of a rule’s implementation.

For more information, please visit:
[Federal Register: SEC Rule and Cost Estimates]
[The New York Times: SEC Approves Rules on CEO Pay Ratio]
[Davis Polk: Dodd-Frank Progess Report]

Some in Congress and SEC believe that if companies had to publicly reveal their CEO’s salary and the average salary of other employees, it would shame companies into paying CEOs less. In reality the complicated regulation will only make consumers pay more.

Five years after passage, the Dodd-Frank legislation still racks up huge compliance costs to the private sector and requires countless hours in additional personnel paperwork.[347] Of course the cost for all this compliance is passed on to consumers in higher prices.

RECOVERY

The Pay Ratio Disclosure Rule is a good example of the significant regulatory burden Dodd-Frank continually imposes on businesses of all sizes. These costs are then passed on to consumers in the form of higher prices. Congress should move to eliminate these overly burdensome rules, recognizing that it is not the task of the government to shame people.