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ARE YOU UNDERPAID? IN A FIRST, U.S. FIRMS REVEAL HOW MUCH THEY PAY WORKERS

Workers can compare their co-workers' pay with their own and that of the CEO—yet comparisons between companies can be tricky

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American workers, for the first time, are discovering how much employees earn at the biggest U.S. companies and how that pay compares with the chief executive's.

At Humana Inc., the median employee made $57,385 while the CEO made 344 times that much, or $19.8 million, according to the health insurer's proxy statement. Whirlpool Corp. says its median worker is a full-time staffer in Brazil earning $19,906 a year, while the CEO made an annualized $7.08 million, or 356 times as much. At medical-device maker Intuitive Surgical Inc., where the median employee was paid just over $157,000, the CEO got 32 times that, or $5.1 million.

Those three are among more than 50 major companies to reveal the gap between their median worker's pay and the CEO's annual compensation. For the first time, this year U.S. publicly traded firms are required to divulge their median employee pay in addition to CEO pay, and the ratio between the two.

The employee-pay disclosure was mandated by the 2010 Dodd-Frank Act in the wake of the financial crisis, with the aim of helping shareholders better understand and challenge executive-compensation practices at major U.S. companies. After a series of corporate scandals in the early 2000s and again during the financial crisis, investors have scrutinized CEOs' rising pay and pressed boards to better align it with performance.

Advocates say it is high time corporations divulged such metrics about the makeup of their workforces and compensation.

"Most companies would say their employees are their biggest assets – so why are investors left in the dark about such basic factors, like what they pay employees?" says Brandon Rees, deputy director of the AFL-CIO's investment office. He says the CEO-to-median ratio helps investors evaluate whether companies are creating good-paying jobs.

Critics call the pay ratio a blunt instrument that offers little meaningful insight, in part because of U.S. companies' wide range of operational structures. Outsourcing low-wage work, for instance, can lift the employee median pay and make a company's ratio lower. On the other hand, offshoring workers to operations in low-wage countries can drive the pay figure for the median employee lower and result in a ratio that is significantly higher.

In addition, the government disclosure rule gives companies wide leeway in identifying median workers, making direct comparisons more difficult.

Some compensation experts say the numbers simply reflect a globally competitive market for talent at all levels. "I don't think they overpay their CEOs and I don't think they underpay their median employees," says Ira Kay, a compensation consultant who has been helping companies with disclosing the numbers.

Initial disclosures are yielding surprises. Some smaller banks report paying their workers more than bigger ones, while firms with vastly different workforces and business models can wind up with nearly identical CEO-to-worker pay ratios.

Employees also can see how their pay stacks up against their industry peers'.

Steven Seelig, a senior regulatory adviser at Willis Towers Watson who has been counseling companies on the disclosure rule, predicts employees at some firms "are going to go through something akin to the stages of grief" upon seeing the pay figures for the first time. "First shock, then anger, and the last stage is acceptance," he says.

One of the biggest contrasts so far is at Marathon Petroleum Corp. The company's median worker made $21,034 last year. The oil refiner paid CEO Gary Heminger 935 times as much, or $19.7 million.

Marathon Petroleum, of Findlay, Ohio, notes in its filing that 32,000 of its 44,000 employees work in the convenience stores and gas stations of its Speedway unit, many of them part-time. Excluding those workers would bring the firm's median pay closer to $126,000 and lower the ratio to 156 to 1.

The disclosure is highlighting contrasts within sectors. Processed-food giantKraft Heinz Co. last year paid its CEO $4.2 million, about 91 times its median worker's $46,000 compensation. Kellogg Co., a smaller food maker, paid its CEO an annualized $7.3 million, or 183 times its median employee, who was paid about $40,000. Kraft declined to comment; Kellogg didn't respond to requests for comment.

U.S. Bancorp 's median-worker pay of $58,269 was outpaced by two smaller banks, Cincinnati Financial Corp. at $91,647 and BB&T Corp. at $84,550. The three banks declined to elaborate on the proxy statements.

Firms must include part-time, temporary and seasonal workers, but needn't account for independent contractors if they don't set their pay. Firms may also exclude up to 5 percent of their employees, but only non-U.S. workers.

Honeywell International Inc. used that flexibility to calculate its ratio: The industrial conglomerate excluded just over 7,000 workers from Brazil, Indonesia, Russia and Slovakia, among other countries. Its median worker made about $50,000, while Darius Adamczyk, who became CEO in April, made 333 times as much on an annualized basis, or $16.75 million.

David Jahn, an electrician at Honeywell's research lab in Buffalo, N.Y., and a local union leader, says the disclosure makes even clearer the disparity between the CEO and the typical Honeywell worker and is likely to be raised in labor contract negotiations next year.

"It would be one thing if the CEO's pay was going down like ours has, but it isn't – it just keeps going up," says Mr. Jahn, pointing to a jump in employees' health-care premiums and deductibles over the past decade.

A Honeywell spokesman says Mr. Adamczyk's compensation reflected his strong performance in 2017, including a shareholder return of 35 percent.

In some cases, companies are publicly supplementing their disclosures with details that go beyond the SEC's requirements. In large part, those efforts are directed at employees rather than investors, says Steven Hall, managing director of Steven Hall & Partners, a pay consultancy.

"You have to tell your story in a way that's very clear to everyone," Mr. Hall says. "How are they going to pitch it to the staff so the staff isn't upset about what they're getting paid?"

Companies are identifying a median worker in a variety of ways. Some use cash compensation, salary alone or measures that include equity and other kinds of pay, and they must disclose which components they picked. When comparing the median worker's total pay to the CEO's, however, both figures must be calculated using existing rules for determining a CEO's total annual compensation.

The CEO-worker ratio itself can hide stark contrasts in pay practices.

Investment firm KKR & Co. and boiler-maker A.O. Smith Corp. reported nearly identical pay ratios of 429-to-1 and 428-to-1, respectively. KKR got there by paying co-CEOs Henry Kravis and George Roberts more than $113 million each, and its median employee $265,000.

A.O. Smith, by contrast, notes that its median employee is an hourly factory worker in Nanjing, China, who made the equivalent of $17,687, while the manufacturer's CEO, Ajita Rajendra, made just shy of $7.6 million.