THE WALL STREET JOURNAL.

FROM COKE TO MACY'S, PAY FOR TYPICAL WORKER TAKES BIG SWINGS

Coca-Cola's median worker made 65% less than a year earlier. The one at Macy's got a 60% raise. Here's why.

By Theo Francis
April 10, 2019

As U.S. companies disclose what they pay typical workers, one thing is clear: A lot can change in a year.

Jefferies Financial Group Inc. almost tripled what it paid its median employee last year. Median pay rose by nearly 60% at Macy's Inc. and by almost a quarter at biotech Celgene Corp. It fell by two-thirds at Coca-Cola Co. and by more than a quarter at snack-maker Mondelez International Inc.

The reasons for these big swings from 2017 to 2018 varied widely, however. Some reflected dramatic shifts in the company's workforce. Others came about thanks to new ways of identifying that middle employee. Still others reflect actual changes in what individual workers made.

"It's strange to see any that have changes of 25% or more," said Eric Hosken, a partner at Compensation Advisory Partners. "You wouldn't expect to have pay structures that change that much."

U.S. publicly traded companies were first required to disclose the total pay of their median employees last year, and most are reporting the figure for the second time with their annual proxy statements this spring. (Use this WSJ tool to search pay data for more than 1,000 companies.)

Overall, median pay rose at most of the 282 companies in the S&P 500 that had reported two years of median employee pay through midday April 9, a Wall Street Journal analysis of data from MyLogIQ found. Twice as many companies increased their median-pay figure as lowered it, the Journal found, with 45 companies reporting gains of at least 10% and 33 reporting declines at least that large.

Health insurer Humana Inc. said its figure rose to $70,500 from $57,385 after the company raised its minimum hourly wage for continental U.S. workers to $15 an hour and enrolled more than half of its 41,600 employees in an annual incentive program. A spokesperson at Humana couldn't be reached for comment.

Median pay at Jefferies Financial jumped to $150,000 last year from $44,584 in 2017 after the holding company sold most of its stake in its National Beef meat-processing unit in June 2018, cutting its workforce to about 4,600 from 12,600. The 2017 median employee at the company, formerly called Leucadia National, was an hourly line worker at National Beef, while last year's was a senior research associate in the company's Jefferies LLC financial-services operation. A Jefferies spokesman declined to comment beyond the company's securities disclosures.

Coca-Cola slashed its median pay figure by two-thirds after it finished shifting North American bottling operations to franchisees and acquired a controlling interest in African operations. The 2017 median worker was an hourly full-timer in the U.S. making $47,312, while last year's made $16,440 as an hourly full-timer in South Africa.

In its proxy statement, Coca-Cola said it intends to shed the African operation again after making improvements and offered an alternative median employee excluding that unit: an hourly full-timer in the U.S. making $35,878, about 25% less than his or her 2017 counterpart. A company spokesman declined to comment further.

Other shifts in median pay stem from changes in how companies identified median employees. Firms must exclude contractors and include part-time, temporary and seasonal workers but have the option to annualize pay for some midyear hires. They also may use statistical sampling to pick a median employee from within a group clustered around the median.

Macy's reported median pay of $21,885 last year, up 59% from the $13,810 it reported in 2017. But the department-store chain altered how it determined the median employee, including by annualizing pay for part-year workers but not seasonal employees. A Macy's spokeswoman said its methodology changes were driven by a new human-resources system adopted in early 2018, and that the company concluded annualizing new hires' pay better reflected its workforce.

Median pay shifted substantially at some companies after they excluded different foreign populations from the calculation. Companies may exclude some foreign workers, but only by omitting entire countries totaling no more than 5% of their global workforces.

That may have helped Leggett & Platt Inc. double its median pay figure to about $32,200 last year from about $16,400 in 2017. The first year, the conglomerate—which makes bedsprings, hydraulic cylinders and other products—excluded workers in France, the U.K. and India. Last year, it counted French and U.K. workers while excluding India and such lower-wage countries as Brazil, Hungary and South Africa.

Leggett & Platt also annualized the pay of part-year employees and included the value of employee health benefits, a spokeswoman said. "We believe these changes reflect developing disclosure practices and provide accurate and transparent disclosure that is more comparable to others in the market," she said.

Pay consultants said companies run the risk of drawing unwanted scrutiny for poorly explained methodology changes.

"A company should not be doing anything that looks like shenanigans," said Dayna Harris, a partner at executive compensation consulting firm Farient Advisors. "You really should have a darn good reason that explains it, so it doesn't look like you're changing it just to get a better pay ratio."

Companies may use the same median employee for up to three years, but only about a third did so in 2018—fewer than many expected, according to a separate analysis of 201 companies of various sizes by Compensation Advisory Partners.

Some companies had big swings despite using the same employee in both years. Celgene, the biotech company, reported median pay for the same employee rose 24% to just over

$263,000 from about $213,000. A spokesperson at Celgene couldn't be reached for comment.

Mondelez International, which makes Oreo cookies and Trident gum, reported median pay for the same employee fell 29% to $30,639 in 2018. The snack company said rising interest rates meant smaller gains from this part-time hourly worker's pension benefit. The company declined to comment beyond its securities filings.

Using the same employee tended to yield bigger increases, the CAP study found. Individuals rising through the ranks are likely to get raises, even if the overall workforce doesn't change, with new, lower-paid workers replacing departing, higher-paid retirees.