

SEC Proposes Disclosure Of Difference Between CEO And Worker Pay

September 20, 2013 | [Fair Labor Standards Act](#), [Labor And Employment](#)



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A hotly-divided Board of the U.S. Securities and Exchange Commission (SEC) released a proposal this week calling for public companies to disclose compensation data allowing for a comparison of their Chief Executive Officer's pay to the median pay of their rank-and-file employees. The release of this proposal, passed by a vote of 3-2 along party lines, is now open for public comment over the next couple of months. In order for the proposal to go into effect, the SEC will again vote on it after the period for comments closes.

This proposal notably has garnered criticism by members of the SEC, as well as corporations throughout the country, while gaining favor with labor unions and those demanding more transparency in executive pay and a slowdown of raises for highly-paid executives. Prior to the vote this week, Michael Piowar, a Republican member of the Commission, expressed his distaste for the proposal and the expenditure of SEC resources on matters he believes could harm investors, negatively affect competition, promote inefficiency and limit capital formation. SEC Chairman Mary Jo White, however, was quick to rebut Mr. Piowar's concerns, advising that the SEC had responsibly considered the proposed rules, and that they were aligned with legal mandates of the Dodd-Frank Act and had been in the making for many years.

This proposal should be watched by employers in the months ahead to keep abreast of the final outcome based on the commentary received.

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