

## Pay Ratio Disclosure: When “Nobody Cares” but Really, Some Do

### AUTHOR



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The second round of CEO Pay Ratio disclosures will soon be released and investors, consultants, journalists, and analysts are waiting with baited breath for the new numbers, right? *Wrong*. If we learned anything from last year, it seems as if nobody really cares. Sure, it made good headlines for a few weeks, but the pay ratio itself didn't really tell us anything about CEO pay that we didn't already know. (Of course, there is that new figure highlighting a median employee's pay.)

It's easy to say, "Don't worry about the CEO Pay Ratio." Yes, its disclosure is a flawed blunt instrument. However, ignoring the underlying issues that drove it into existence will only lead to more regulation. We are living in a time when some believe the agreed-upon nature and purpose of a company is evolving. Corporations must take the lead and show how they are addressing important social issues and income inequality is pretty high on some people's priority list.

In our role as compensation consultants, we have yet to meet a director or CHRO who doesn't care about pay gap and pay equity issues and the lack of diversity in their employee population—especially in their leadership team. You may not know it, however, because while these *are* real issues discussed in board rooms, fear of plaintiffs' attorneys, activist investors, and even more SEC disclosure rules have a dampening effect on what companies are willing to share. Corporations get a bad rap for a lot of things, some justified, many not. Progress is being made, but not at the speed that the public expects. And without much information to the contrary, the public unfortunately only sees the worst.

We know that pay ratio disclosure is not the lightning rod we thought it might have been, but it has opened the dialogue around pay transparency more broadly and we *do* need to care about that. These pressures are not going to go away and stakeholders on all fronts are likely to bring these issues even further into the spotlight. It will be imperative for companies—particularly those who are public—to start now and get more comfortable and more proficient in talking about compensation at all levels. The CEO Pay Ratio has opened the door and we are all stepping across the threshold.

Watch our CEO Pay Ratio page this proxy season. We'll be providing regular updates on ratio data, of course, but will also be letting you know more about how companies are beginning to explain their pay ratio stories.

## About the Author

Mark Rosen is a managing director in the firm's Charlotte office. He has consulted on executive and board compensation issues for more than 20 years for a broad range of public companies, as well as tax-exempt organizations and academic institutions. Mr. Rosen has extensive experience with benchmarking, retirement plan design, governance issues, and tax and accounting considerations.

## About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management on the alignment of executive compensation with business and leadership strategy, making pay programs a powerful catalyst for value creation and competitive advantage. Pearl Meyer's global clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private companies to the Fortune 500 and FTSE 350. The firm has offices in New York, Atlanta, Boston, Charlotte, Chicago, Houston, London, and Los Angeles.



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