

**Pearl Meyer**

**On Point**

TIMELY, ACCURATE, INSIGHTFUL

**Pearl Meyer On Point:  
Communicating Compensation –  
Banking Edition**



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## Introduction

With the constantly changing “pay story of the day” grabbing media headlines, Pearl Meyer strives to help our clients understand the myriad perspectives on pay communication and how to most effectively discuss these issues with employees, management teams, boards, and external constituents.

To that end, our most recent survey on pay communication sought information on the most current narratives in the mainstream around compensation issues like the CEO Pay Ratio, the gender pay gap, overall transparency, etc. We were interested to see how companies have changed (or not) their approaches to communicating with their respective workforces and if any new approaches have emerged.

This report reflects responses from 65 banking and credit union participants and collective results for all industries are also provided for reference. The survey findings are reported in aggregate, as well as by institution size and role (outside directors vs. employee of the firm). The survey was conducted in June of 2018.

You will see results that show while pay ratios and other hot-button issues are certainly on the radar screen, there is still much work to do to ensure a foundational, consistent, and wide-spread communication strategy that helps our workforces understand the basics of how compensation decisions are determined.

Please feel free to contact me to discuss any aspect of this survey or other compensation communication topics and thank you for your participation.

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# Key Highlights

## Perceptions About Compensation

- Nearly all of the respondents (97%) rate the quality of their organizations' communication about compensation as good or fair which is consistent with the general industry results (84%).
- About the same number (91%) also rate employee understanding of how their compensation is determined as good or fair.
- No respondents indicate the communication quality is excellent, which correlates to very few (3%) who believe employees' understanding of the organization's compensation philosophy is very good.

## Access to Compensation Information

- In the last two years, nearly half of the banks surveyed (44%) have increased compensation communication.
- Nearly half of respondents (48%) are not sharing information about base salary ranges with all employees.

## Compensation Proficiency

- Very few respondents believe employees can appropriately compare their compensation to colleagues (10%) or compare their compensation to similar positions in other organizations (16%).
- About half of managers are trained to have formal compensation conversations with their direct reports, but the majority (69%) of those surveyed believe those conversations are not effective.

## Emerging Issues in Compensation

- Most companies (95%) are not currently fielding questions on the CEO Pay Ratio, but a majority of companies (63%) are either fielding questions on gender pay equity or expect to do so and most are actively making plans to answer those questions.



## Perceptions About Compensation

Table 1	All Organizations	Banking	Assets		Primary Role	
	Total	Total	Under \$1B	Over \$1B	Outside Director	Employee of the Firm
Number of Organizations	244	65	21	44	5	60
<b>How would you rate the overall quality of your organization's communication about compensation to all employees?</b>						
Excellent	8%					
Good	43%	55%	62%	52%	100%	52%
Fair	41%	42%	38%	43%		45%
Poor	7%	3%		5%		3%
<b>How would you rate employees' understanding of the organization's compensation philosophy?</b>						
Very good	8%	3%	5%	2%		3%
Generally okay	57%	57%	62%	55%	80%	55%
Not good	30%	34%	29%	36%		37%
Unsure	6%	6%	5%	7%	20%	5%
<b>How do you think your employees would rate the overall value of your organization's compensation package?</b>						
High	16%	11%	16%	9%	40%	9%
Medium	70%	75%	79%	73%	60%	76%
Low	10%	8%		11%		9%
Unsure	5%	6%	5%	7%		7%
<b>How would you rate employees' understanding of how their own compensation is determined?</b>						
Excellent	4%					
Good	42%	51%	63%	45%	60%	50%
Fair	47%	40%	32%	43%	40%	40%
Poor	8%	10%	5%	11%		10%



## Access to Compensation Information

Table 2	All Organizations	Banking	Assets		Primary Role	
	Total	Total	Under \$1B	Over \$1B	Outside Director	Employee of the Firm
Number of Organizations	244	65	21	44	5	60
<b>Does your organization share information about how base salaries are determined with all employees?</b>						
Yes	26%	21%	26%	19%	20%	21%
Yes, but only for a select group of employees (e.g., people managers)	51%	52%	26%	63%	40%	53%
No	23%	27%	47%	19%	40%	26%
<b>Does your organization share information about base salary ranges with all employees?</b>						
Yes, for each grade in the organization	13%	18%	16%	19%		19%
Yes, for their job grade	21%	23%	32%	19%	60%	19%
Yes, for their job grade and the next higher grade	3%					
Yes, for all positions within their function or career path	3%	3%	11%		20%	2%
No	52%	48%	37%	53%	20%	51%
Other	9%	8%	5%	9%		9%
<b>Who receives communication about annual incentive programs?</b>						
All employees	38%	42%	53%	37%	40%	42%
Only those who are eligible/receive award	62%	58%	47%	63%	60%	58%
<b>Who receives communication about long-term incentive programs?</b>						
All employees	14%	6%	5%	7%		7%
Only those who are eligible/receive award	86%	94%	95%	93%	100%	93%
<b>In the last two years, communication about compensation at your organization has:</b>						
Increased	48%	44%	21%	53%	40%	44%
Decreased	2%	2%	5%			2%
Remained constant	50%	53%	68%	47%	60%	53%
Other	0%	2%	5%			2%



## Compensation Proficiency

Table 3	All Organizations	Banking	Assets		Primary Role	
	Total	Total	Under \$1B	Over \$1B	Outside Director	Employee of the Firm
Number of Organizations	244	65	21	44	5	60
<b>Do employees understand how to compare their own compensation to their colleagues?</b>						
Yes	21%	10%	22%	5%	40%	7%
No	79%	90%	78%	95%	60%	93%
<b>Do employees understand how to compare their own compensation to similar positions at other organizations?</b>						
Yes	23%	16%	33%	9%	40%	14%
No	77%	84%	67%	91%	60%	86%
<b>Are managers trained/educated to have formal discussions with their direct reports about compensation?</b>						
Yes	63%	52%	50%	53%	60%	52%
No	37%	48%	50%	47%	40%	48%
<b>Overall, how effective do you think your managers are in communicating pay decisions?</b>						
Excellent	2%					
Good	28%	30%	44%	23%	60%	27%
Fair	59%	61%	39%	70%	40%	62%
Poor	10%	8%	17%	5%		9%
Don't take responsibility	2%	2%		2%		2%



## Emerging Issues in Compensation

Table 4	All Organizations	Banking	Assets		Primary Role	
	Total	Total	Under \$1B	Over \$1B	Outside Director	Employee of the Firm
Number of Organizations	244	65	21	44	5	60
<b>Is your organization fielding questions due to the CEO Pay Ratio disclosure of median employee pay?</b>						
Yes	9%	5%		7%		5%
No	91%	95%	100%	93%	100%	95%
<b>Do you plan to change pay communication in your organization as a result of these questions?</b>						
Yes	21%					
No	79%	100%		100%		100%
<b>Do you anticipate changing your pay communication as a result of the CEO Pay Ratio disclosure</b>						
Yes	8%	10%	6%	12%		11%
No	92%	90%	94%	88%	100%	89%
<b>Is your organization fielding questions on gender pay equity?</b>						
Yes	21%	11%	6%	14%	20%	11%
No, but we expect to in the future	41%	52%	44%	56%		57%
No	39%	36%	50%	30%	80%	32%
<b>Does your organization have ready information to share with employees about gender pay equity?</b>						
Yes, we have clear and detailed information to share on how the organization is addressing the issue	30%					
We have draft materials and/or have had initial discussions at the senior management level, but haven't communicated any messages broadly	49%	57%	100%	50%	100%	50%
No, we aren't sure yet how to address the issue	21%	43%		50%		50%
<b>Anticipating that this could be an issue in the future, are you taking steps to address pay equity?</b>						
Yes, we have a clear and detailed plan to address the issue	20%	16%	12%	17%		16%
Yes, we have had initial discussions about how to approach the issue	63%	69%	75%	67%		69%
No, we aren't sure how to address the issue	18%	16%	12%	17%		16%





## Demographics

Table 5	All Organizations	Banking	Assets		Primary Role	
	Total	Total	Under \$1B	Over \$1B	Outside Director	Employee of the Firm
Number of Organizations	244	65	21	44	5	60
<b>Are you a board member or management?</b>						
Board	16%	8%	19%	2%	100%	
Management	84%	92%	81%	98%		100%
<b>What is your organization's form of ownership?</b>						
Publicly-held for profit	55%	46%	33%	52%	60%	45%
Privately-held for profit	35%	45%	52%	41%	40%	45%
Tax-exempt or government-chartered	11%	9%	14%	7%		10%
<b>Assets</b>						
Under \$100 million	7%	5%	19%			5%
\$100 million to less than \$300 million	5%	5%	19%			5%
\$300 million to less than \$1 billion	23%	18%	62%		50%	16%
\$1 billion to less than \$3 billion	27%	32%		44%		33%
\$3 billion to less than \$10 billion	19%	25%		34%	50%	24%
\$10 billion to less than \$20 billion	10%	12%		17%		13%
\$20 billion to less than \$30 billion	1%	2%		2%		2%
\$30 billion or greater	7%	2%		2%		2%



## 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, Los Angeles, and San Jose.



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