

**Pearl Meyer**

Quick Poll



## Sharing Tax Bill Benefits with Employees

February 9, 2018



## Introduction

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Our Pearl Meyer Quick Polls are designed to provide organizations with the most current data and insight into trends affecting their industry or the business climate at large.

Survey results from this Poll indicate many companies have or are considering responding to the new regulations under the recently passed Tax Cuts and Jobs Act to provide enhanced benefits to employees. While most employers are not specifically formulating benefits as a percentage of the expected tax savings, a wide variety of benefits are being contemplated.

We hope you find this information useful as you make compensation-related decisions. If you have any questions or are interested in discussing these findings, please contact:

Dan Wetzel  
Managing Director  
[daniel.wetzel@pearlmeyer.com](mailto:daniel.wetzel@pearlmeyer.com)  
213-438-6515

Rebecca Toman  
Survey Operations Manager  
[rebecca.toman@pearlmeyer.com](mailto:rebecca.toman@pearlmeyer.com)  
508-630-1475



## Key Findings

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The recent news that a number of large employers have provided a benefit to employees in light of the recently passed Tax Cuts and Jobs Act prompted our interest in conducting this survey. Over the course of a week, more than 300 individuals provided information on contemplated or actual actions taken by their organizations.

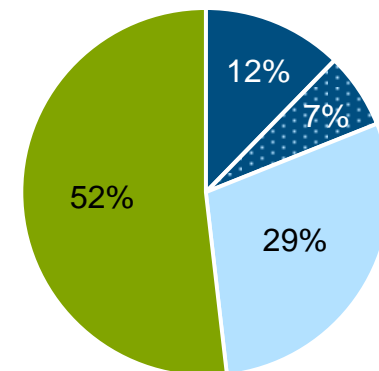
- Roughly 20% of respondents have already provided some enhanced benefits to employees, and 35% are considering additional or new benefits.
- Current actions have most frequently consisted of one-time bonuses and increases in minimum wage. Future considerations are more nuanced and reflect a longer-term enhancement to pay and benefits.
- The most common reasons for taking action or contemplating action included sharing the benefits of tax reform and recognizing their employees' efforts for the success of the business.
- 88% of respondents who have made changes or are contemplating changes did not explicitly consider changes relative to a sharing ratio of any expected tax benefits with employees.

## Actions Taken or Considered

- Roughly 20% of respondents have already provided some enhanced benefits to employees.
  - About 35% of those respondents are also contemplating further changes.
- Approximately 30% of respondents have not made changes yet, but are contemplating future actions.
- Roughly half of respondents are not currently planning to take action. However, the reasons for not taking action vary—some are not anticipating any tax benefit, while others already have programs in place which are expected to directly benefit from the Tax Act, such as profit sharing plans and equity awards.

### Actions Taken or Considered

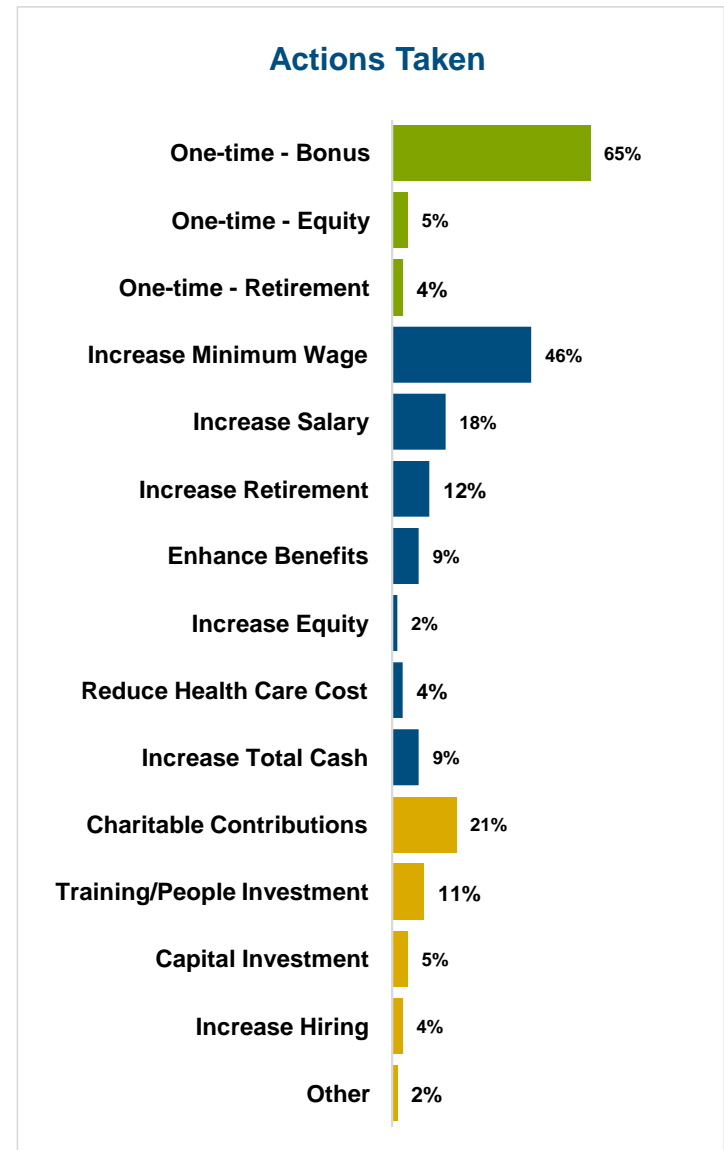
- Changes Made
- Changes Made and Considering Additional
- Considering Change
- No Plans



**Pearl Meyer Recommendation:** Given the recent wave of announcements and news coverage, Pearl Meyer suggests that companies who are not planning to make changes be prepared to answer employee questions by developing a solid communication plan to explain their rationale.

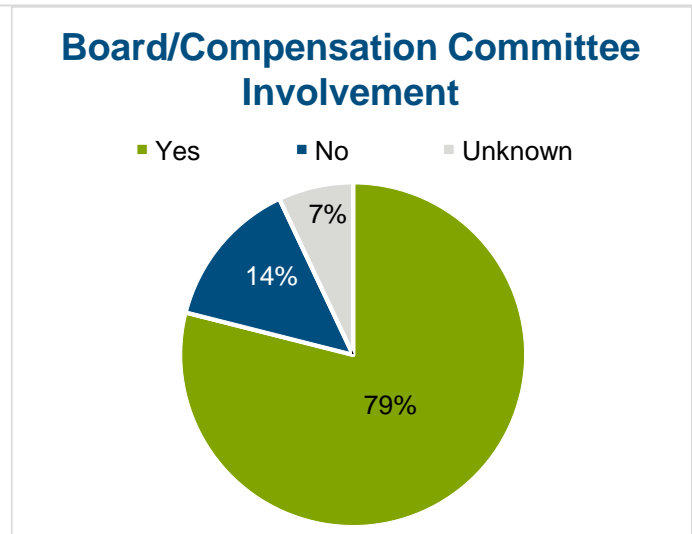
## Actions Taken

- For those that already have taken action, respondents indicated that they made two changes to company programs on average:
- The most common one-time actions have consisted of a bonus to employees, with over half of respondents providing a \$1,000 bonus.
- 95% of respondents that have taken action have also made structural changes to compensation, with increasing the minimum wage as the most common approach, followed by increasing salaries and retirement benefits.
- Other actions have also been taken which less directly impact immediate compensation, such as increased charitable contributions, training, and capital investment.



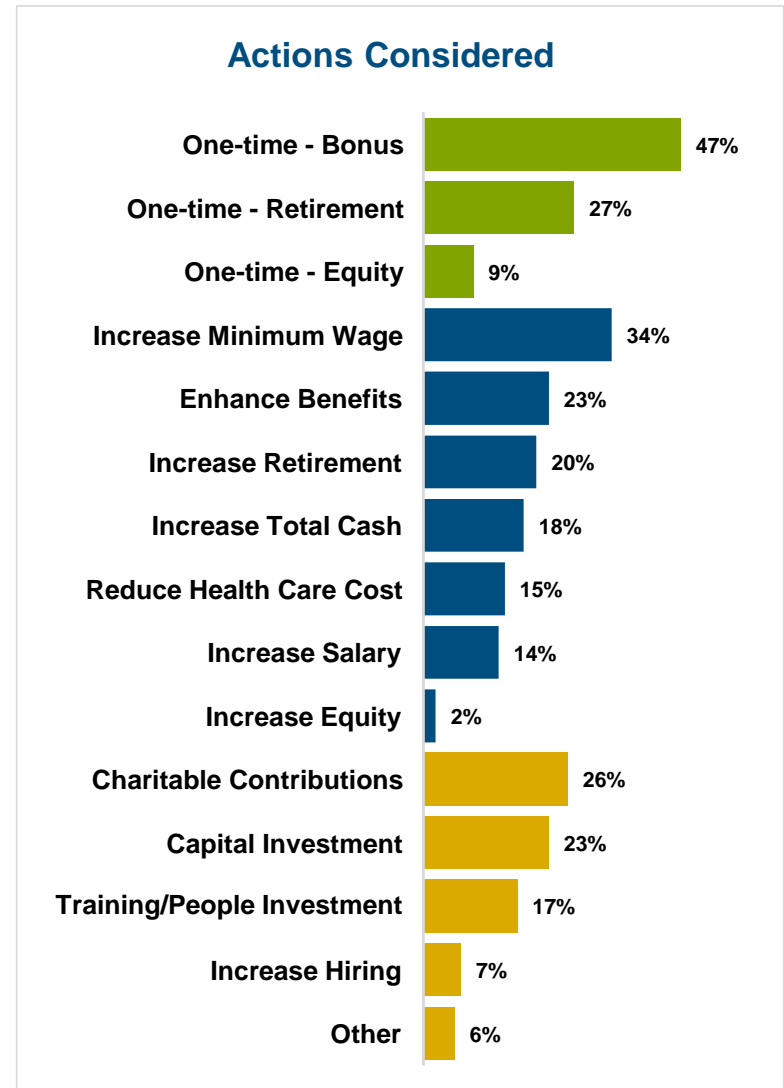
## Reason for Actions Taken

- On average, most respondents provided two rationales for making changes, with sharing the tax benefits and rewarding/recognizing employees as the most often cited.
- Despite 70% emphasizing sharing of the expected tax benefit, 88% of the respondents did not consider a specific sharing ratio.
- 79% of respondents indicated that the board or compensation committee were involved in the decision-making process.



# Actions Contemplated

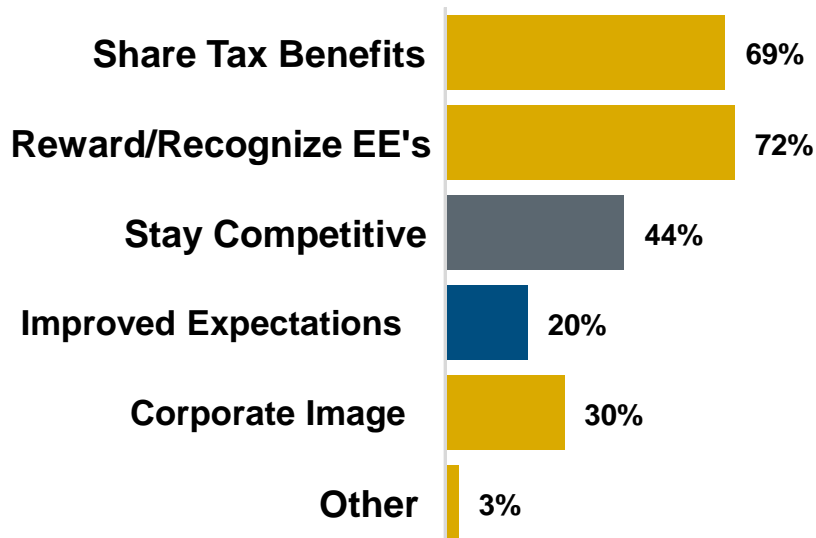
- About 35% of all respondents are contemplating a broad range of changes, both one-time as well as structural. Each respondent is contemplating three actions, on average.
- Among those that haven't made any changes yet:
  - The most common one-time contemplated actions are consistent with those who have already taken action—one-time bonuses.
  - Longer-term, a wide range of actions including increasing the minimum wage, increased salaries and total cash, and enhanced benefits are being considered.
  - Other actions that less directly impact immediate compensation are also being considered, such as increased capital investment, charitable contributions, and training.



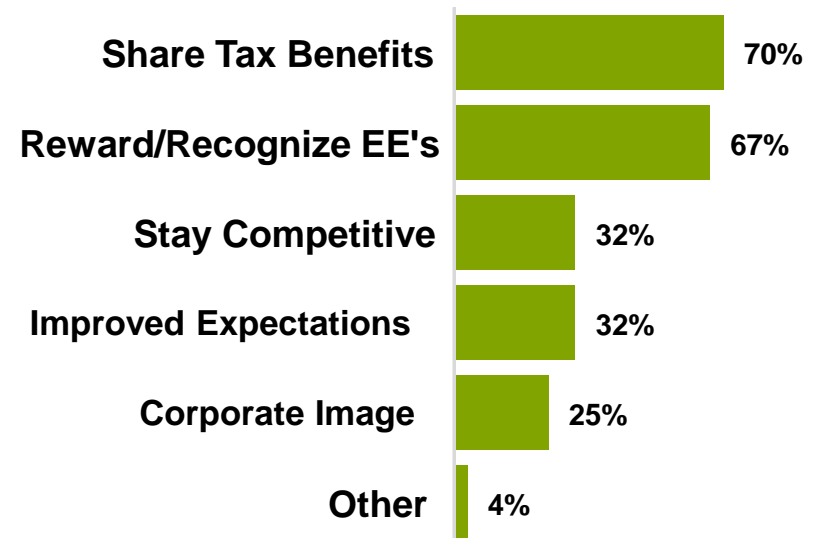
# Comparison of Actions Contemplated with Actions Taken

Respondent reasons for contemplating future actions generally mirror the rationale for those that have already taken action. However, of those taking a slower approach, more are considering the competitive environment and fewer anticipate improved expectations of the business.

## Reasons for Considering



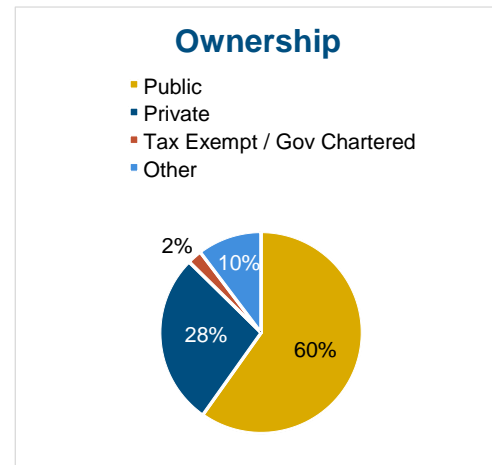
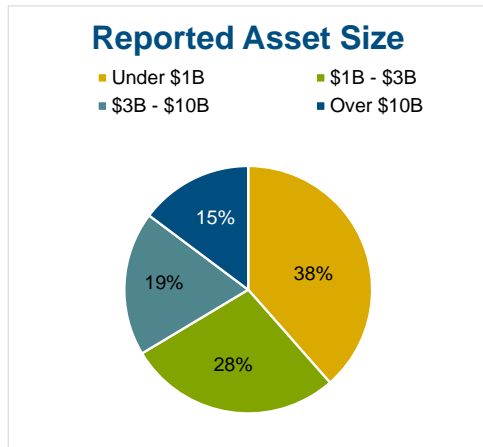
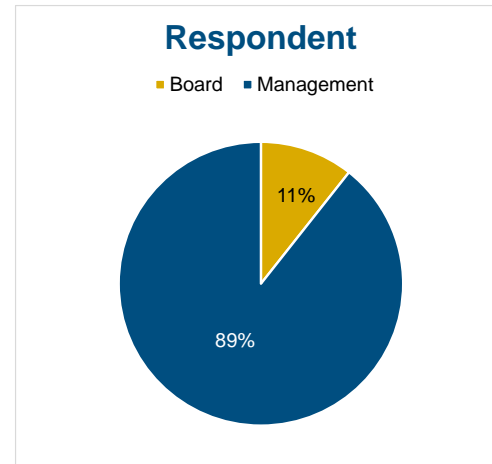
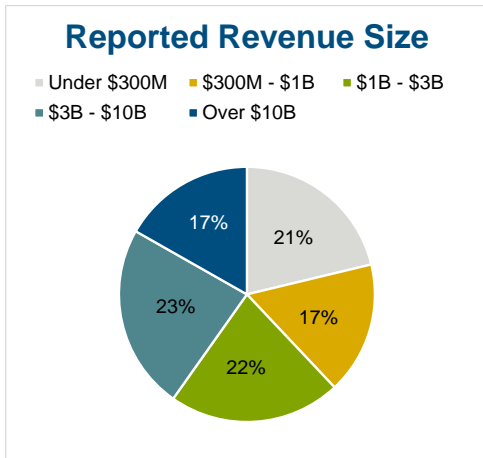
## Reasons for Action





# About the Survey

- Our online survey was conducted between January 24 and January 31, 2018 and results presented are based on 301 respondents, primarily from publicly held institutions





## About Pearl Meyer

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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.

Please visit [www.pearlmeyer.com/tax-reform](http://www.pearlmeyer.com/tax-reform) for more insight into the impact of the Tax Reform and Jobs Act on compensation.



# Pearl Meyer

## **NEW YORK**

570 Lexington Avenue, 7th Floor  
New York, NY 10022  
(212) 644-2300  
newyork@pearlmeyer.com

## **ATLANTA**

One Alliance Center  
3500 Lenox Road, NE, Suite 1708  
Atlanta, GA 30326  
(770) 261-4080  
atlanta@pearlmeyer.com

## **BOSTON**

93 Worcester Street, Suite 100  
Wellesley, MA 02481  
(508) 460-9600  
boston@pearlmeyer.com

## **CHARLOTTE**

3326 Siskey Parkway, Suite 330  
Matthews, NC 28105  
(704) 844-6626  
charlotte@pearlmeyer.com

## **CHICAGO**

123 N. Wacker Drive, Suite 860  
Chicago, IL 60606  
(312) 242-3050  
chicago@pearlmeyer.com

## **HOUSTON**

Three Riverway, Suite 1575  
Houston, TX 77056  
(713) 568-2200  
houston@pearlmeyer.com

## **LONDON**

Collegiate House  
9 St. Thomas Street  
London SE1 9RY  
+44 (0)20 3384 6711  
london@pearlmeyer.com

## **LOS ANGELES**

550 S. Hope Street, Suite 1600  
Los Angeles, CA 90071  
(213) 438-6500  
losangeles@pearlmeyer.com

## **SAN JOSE**

15105 Concord Circle, Suite 210  
Morgan Hill, CA 95037  
(669) 800-5074  
sanjose@pearlmeyer.com

**For more information on  
Pearl Meyer, visit us at  
[www.pearlmeyer.com](http://www.pearlmeyer.com) or  
contact us at (212) 644-2300.**