Pearl Meyer

RESEARCH REPORT | JUN 2020

The Next Stage of the Coronavirus Impact

Bill Reilly

MANAGING DIRECTOR

Earlier this year, Pearl Meyer conducted a series of brief "Quick Poll" online surveys on COVID-19-related compensation topics. This follow-up survey incorporates a variety of questions from the earlier surveys as well as additional topics to gauge actions and perspectives in response to the pandemic.

The survey was conducted in late May, with a total of 285 responses, including 154 publicly-traded companies, 90 privately-held for-profit companies, and 41 privately-held, not-for-profit (NFP) organizations. Responses were received from a total of 214 employees and 71 board members across 11 industry categories (see Appendix for participant demographics).

COVID-19 poses significant health risks and challenges for companies and employees, and social distancing requirements may wind up fundamentally changing the way business is conducted. From a financial perspective, most respondents have been adversely impacted, with only 4% citing improved performance. This unprecedented pandemic has also created significant uncertainty within the current environment, as the country begins the process of reopening the economy.

Environmental, social, and governance (ESG) issues, such as pay and internal equity, racial and gender diversity, and sustainability, have become key focal points for investors, the media, and the general public. The scrutiny on executive compensation continues to intensify, with an expectation for fairness and shared sacrifice relative to the COVID-19 impact on employees, shareholders, and other stakeholders.

While respondents have taken various defensive actions to preserve capital, most continue to take a "wait and see" approach with regard to compensation program designs, goal setting, and potential use of discretion in response to COVID-19.

We encourage companies to proactively begin discussing and considering these topics to help ensure programs reinforce current business priorities and to help facilitate upcoming year-end compensation decisions. Timely and thorough disclosure will also be critical to explain the rationale for any actions taken, as stakeholders are likely to carefully monitor the magnitude and use of discretion, changes to incentive arrangements, and the perceived alignment of executive pay with performance and outcomes for other employees.

About the Author

Bill Reilly is a managing director at Pearl Meyer. He is a senior advisor to compensation committees and executives on all aspects of executive and non-employee director compensation and advises clients on issues such as compensation philosophy, market pay assessments, pay and performance alignment, short-term and long-term incentive plan design, employment contracts and severance/CIC arrangements, competitive trends, and regulatory developments.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.