

Pearl Meyer

Quick Poll



Quick Polls: Banking Edition

How Coronavirus is Affecting Broad-Based Pay and Benefits

Will Coronavirus Affect Executive Base Salary Planning?



Introduction

Our Quick Poll survey series provides organizations with information on emerging topics and is designed to provide context for discussion and decision-making around pay, governance, and employment issues. This report examines two quick polls on the coronavirus using a subset of participants from the banking industry (banks and credit unions). The surveys included:

- *Will Coronavirus Affect Executive Base Salary?* (open from 3/24/2020 to 3/27/2020) reflects responses from 389 participants including the subset banking institutions—69 in total
- *How Coronavirus is Affecting Broad-Based Pay and Benefits* (open from 4/2/2020 to 4/6/2020) reflects responses from 369 participants including the subset banking institutions—56 in total.

As an “essential” business, banks are staying open to meet the needs of customers through existing business operations and new lending through programs such as the Paycheck Protection Program (PPP). Financial institutions have risen to the challenge by dramatically changing business operations including drive-through-only retail banking and equipping employees to work at home for the first time.

The polls show that the banking industry has been more conservative in its pay actions relative to other industries. Financial institutions are primarily staying the course with executive and broad-based pay but plan to evaluate options as this crisis continues.

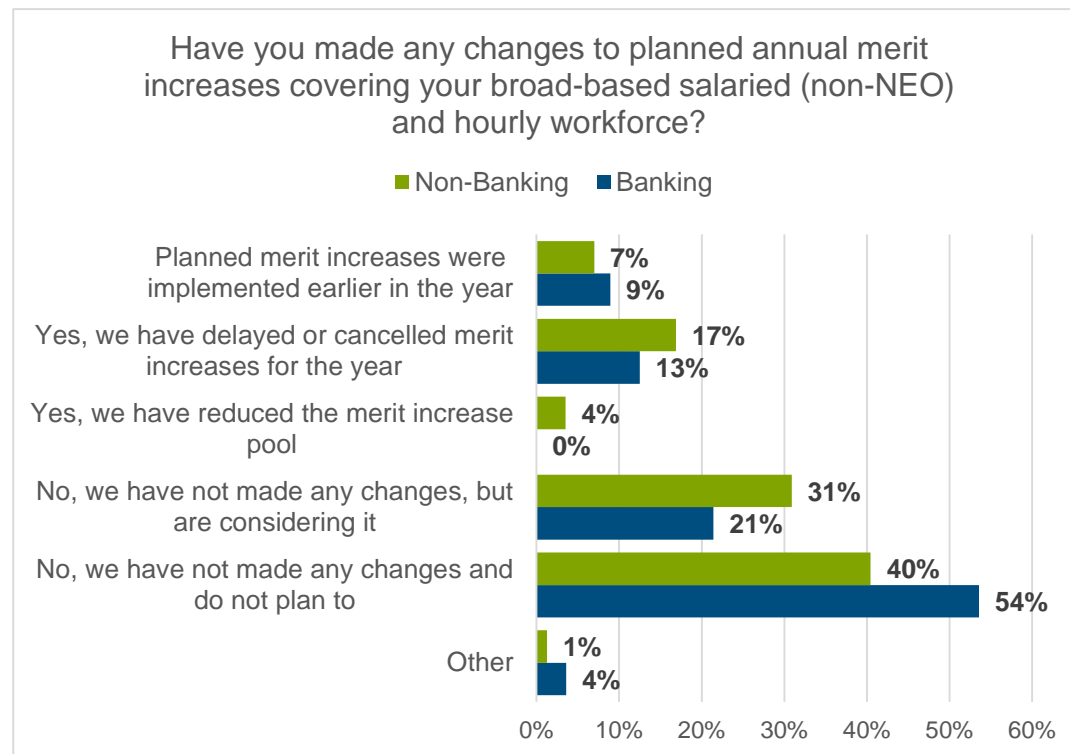
We hope you find the information included in this report useful. If you have any questions or are interested in discussing these findings, please contact:

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Merit Increase Changes for Broad-Based Workforce

- Banks have been more conservative with pay actions than other industries
- More than half (54%) of banks have not made any changes to planned merit increases and do not plan to, compared to non-banking participants (40%)
- While some banks are considering changes in the future (21%), it is at rate below that of other industries (31%)
- Consistent with non-banking participants (17%), only a relatively small number of banks indicate cancelling merit increases (13%)

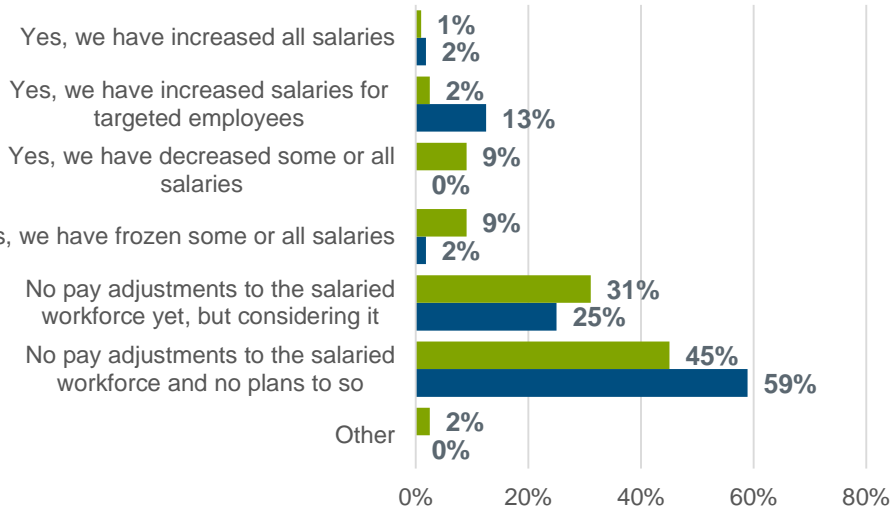


Other Base Salary Adjustments for the Broad-Based Workforce

- Nearly 60% of banks report no plans for pay adjustments for salaried workers and no participants have decreased pay. Non-banking participants report less participants with no plans for adjustments (45%) and a greater number of participants that have decreased pay (9%).
- As essential businesses serving the public, some bank participants have increased pay for salaried and hourly employees in customer facing positions and other key roles, 13% and 16% respectively, similar actions were not reported by other non-banking respondents.
- Outside of banking, participants report decreased or frozen salaries or wages (18% for salaried and 9% for hourly workers), while banks reported only 2% for any of these actions.
- The responses suggest that some banks may be taking a “wait-and-see” approach. Approximately 25% of banks indicated that they are considering pay adjustments which is similar to non-banking respondents.

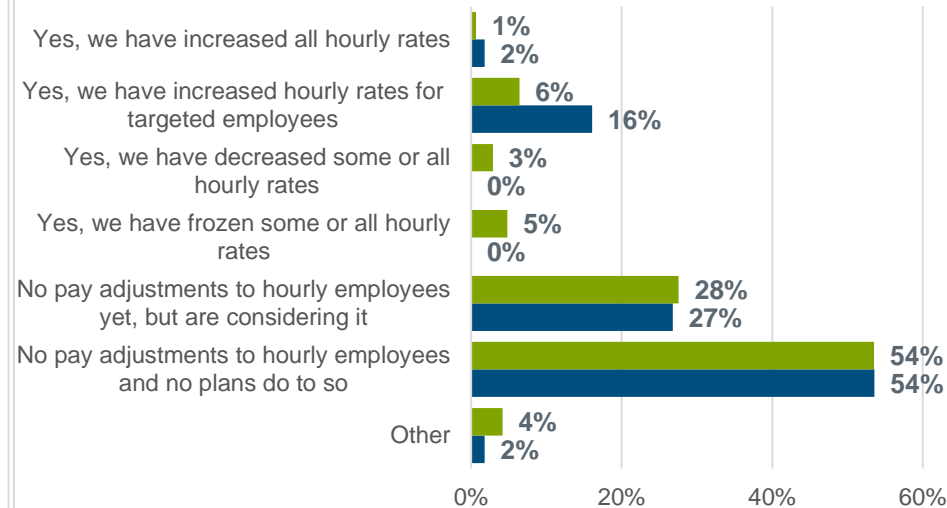
Have you made any other base salary adjustments for your broad-based salaried (non-NEO) workforce?

■ Non-Banking ■ Banking



Have you made other pay adjustments for your hourly workforce?

■ Non-Banking ■ Banking

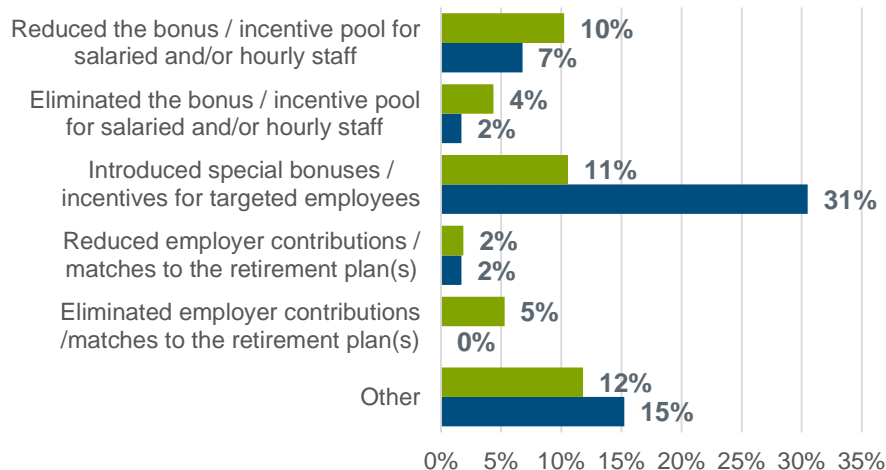


Other Compensation/Benefits Actions

- Banking and other industries in many cases are being cautious about actions taken. Slightly less than half of banking respondents (44%) have not taken other pay or benefit actions and about a third (33%) are not considering changes, which is similar to other industries.
- Special bonuses/incentives for targeted employees is one of the more common adjustments made at banks. Banks are using special bonuses/incentives at significantly higher rates than the non-banking industry; 31% of banking respondents have already implemented compared to 11% for non-banking participants.
- Banks report considering the reduction or elimination bonus/incentive pools at similar levels to non-banking respondents.
- Some of the other responses provided by banking and non-banking respondents included increased PTO and companies reported making efforts to keep employee benefits and/or pay the same even if employees are unable to work, working reduce hours, or are otherwise affected by COVID-19.

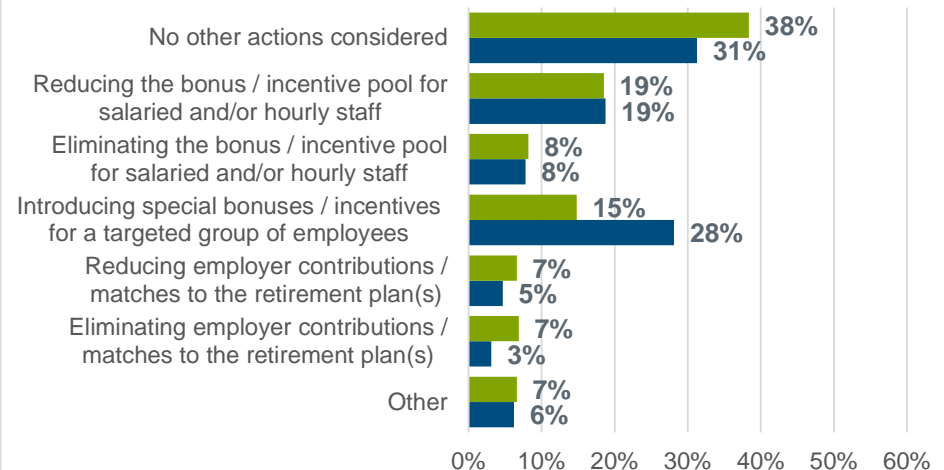
What other compensation/benefits actions have you taken?

■ Non-Banking ■ Banking



What additional compensation/benefits actions are you considering?

■ Non-Banking ■ Banking

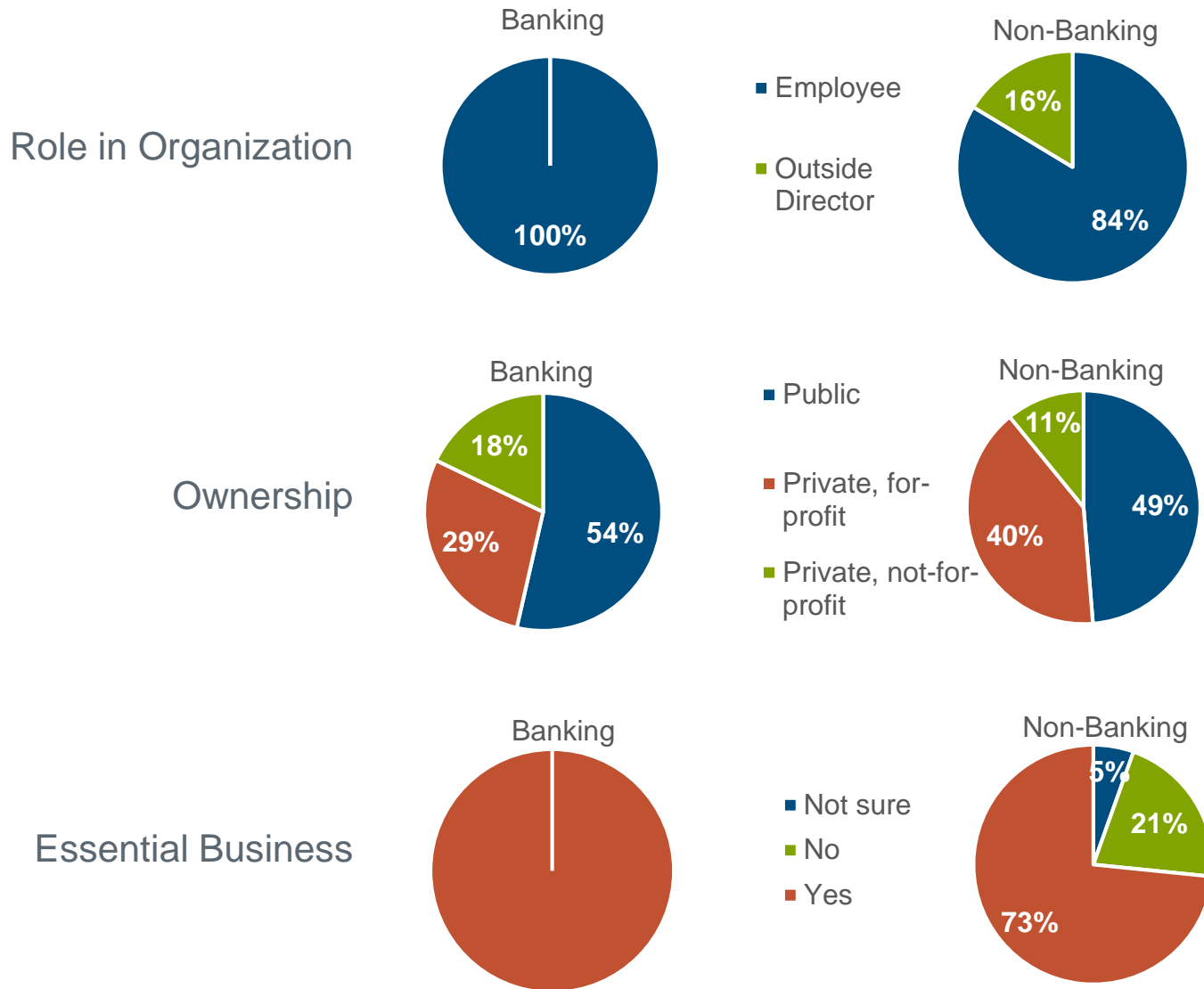



Workforce Actions

- Only 13% of bank respondents have taken any workforce actions, with 70% of indicating that they are not considering any actions at this time. For non-banking participants, 23% have taking a workforce action.



Broad-Based Pay Survey Respondent Demographics

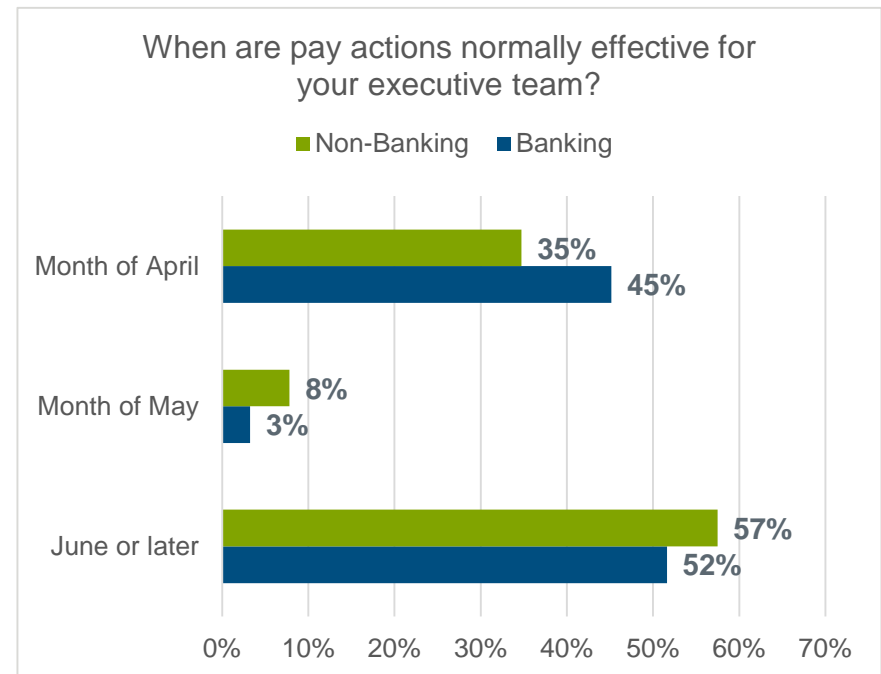
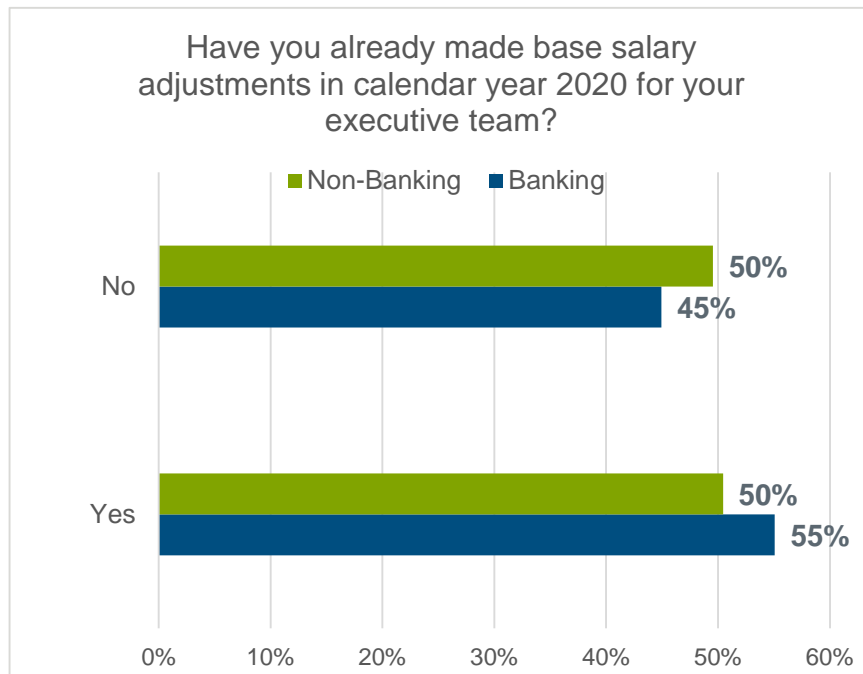




Will Coronavirus Affect Executive Base Salary Planning?

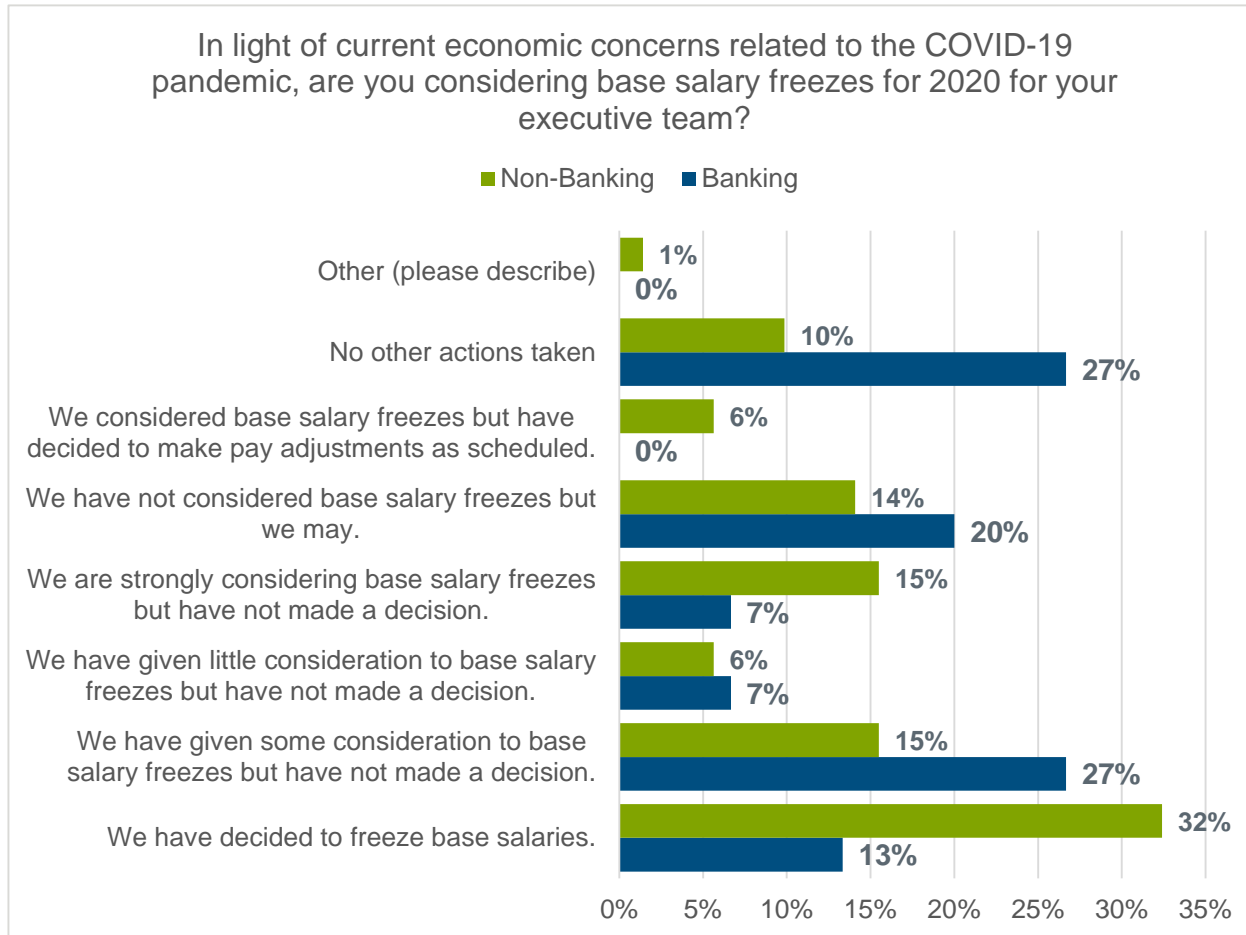
Have 2020 Executive Base Salary Adjustments Been Made?

- The majority of banks reporting have already made executive base pay decisions for 2020 (55%).
- For those where pay actions have not yet occurred:
 - 48% of respondents indicate that executive pay actions are typically made in April and May
 - 52% of respondents indicate that executive pay actions are typically made later in June or later



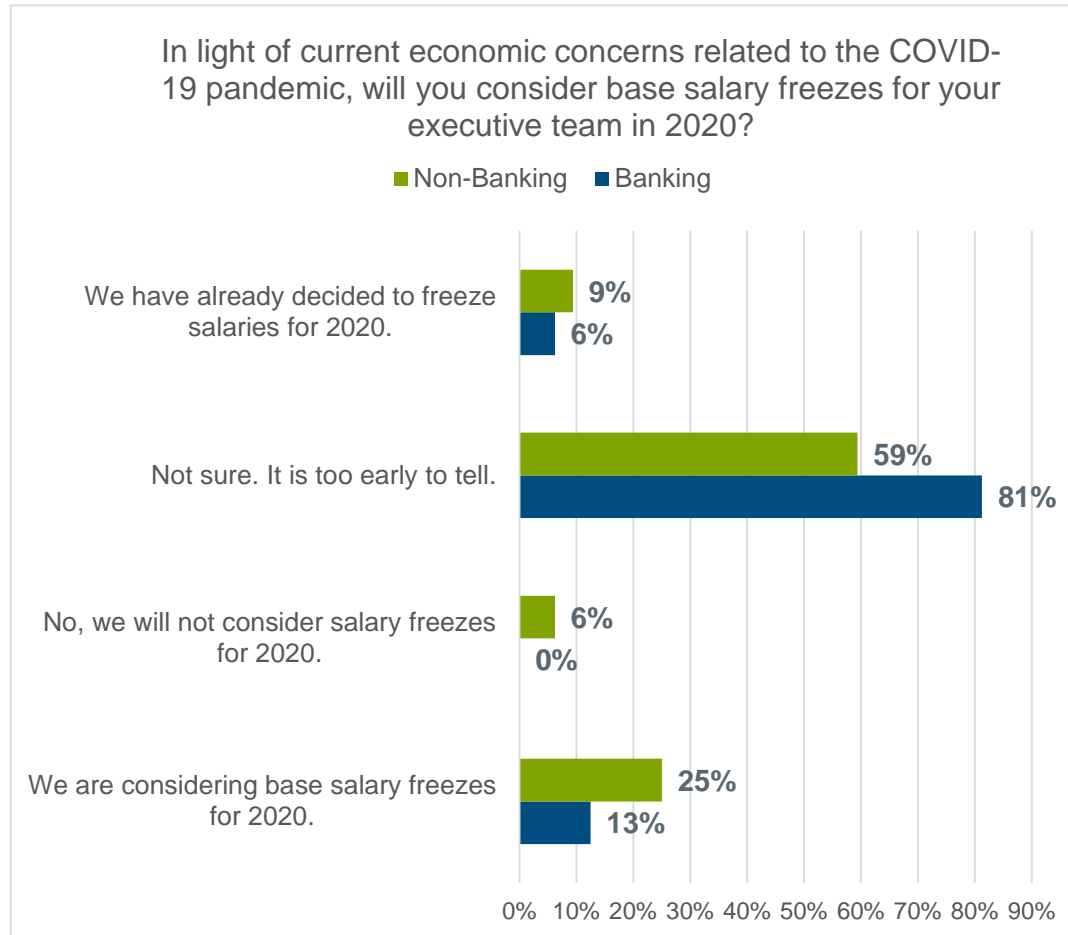
Executive Salary Actions

- Fewer banks reported executive salary freezes (13%) compared to other industry respondents (32%); however, 60% of banks are considering executive pay freezes in the future.



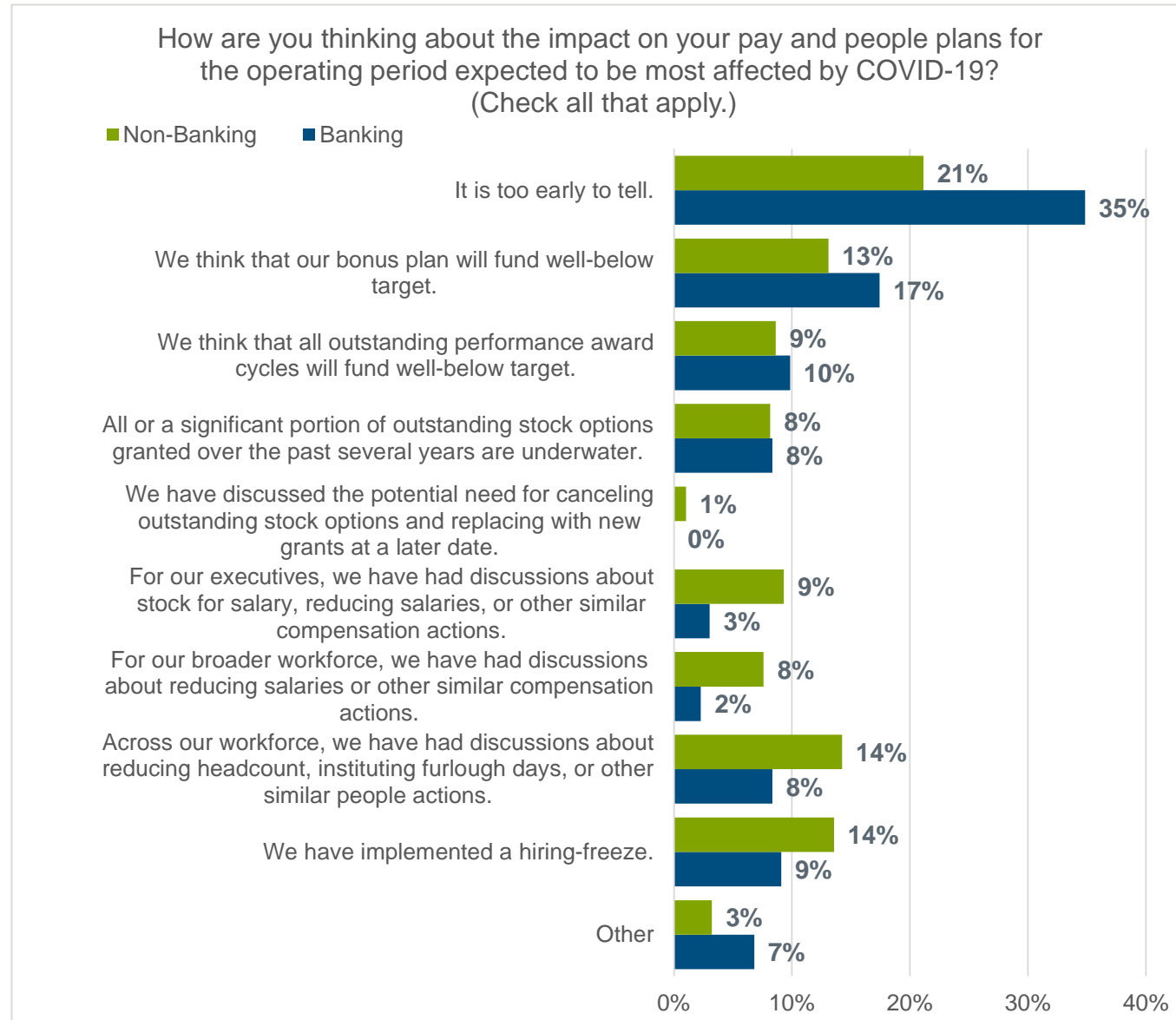
Executive Salary Actions – Salary Freeze

- At the time of the survey, more than 80% of banking respondents indicated that it is too early to tell whether the pandemic will affect executive salary actions scheduled for later in 2020, compared to 59% of non-banking respondents.



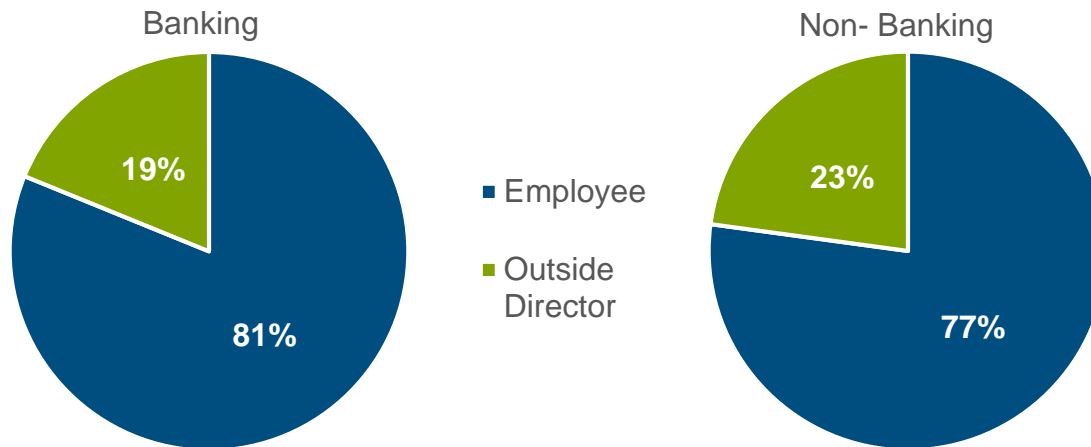
The Various Impacts on Pay and People Plans

- The nature of the pandemic makes it difficult to fully understand the impact of COVID-19 as noted by respondents in and outside of banking.
- Discussions regarding potential pay actions are similar for banking and non-banking respondents. More non-banking respondents, however, are considering workforce reductions and furloughs.



Executive Pay Survey Respondent Demographics

Role in Organization





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 Atlanta, Boston, Charlotte, Chicago, Houston, London, Los Angeles, New York, Raleigh, and San Jose.