JR BECHTLE & CO.

International Executive Recruiting

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Executive Compensation

Due to the currently prevailing "employee market", many companies are under pressure to find creative ways to attract and retain talent without "breaking the bank". The first reflection of this market situation is that base salaries are rising at a stronger rate. JR BECHTLE & Co.'s proprietary database shows that base salaries for those in a President/CEO role have in fact been rising dramatically during the last 1-2 years. Based on analysis throughout North America, we have found that 48% of those in top management roles have been earning a base salary of over $200,000 in 2017/2018, as opposed to just 31% in the 2015/2016 time-frame. Total compensation shows a similar trend with Presidents/CEOs earning over $275,000 a total of 47% in 2017/2018 vs. in 2015/2016 with a figure of 33%.

One tactic that is becoming more common within organizations is expanding the benefits offered, such as Employee Wellness Programs, Student Loan Programs, additional retirement benefits, an increase in paid-time-off and vacation days, deferred compensation programs, as well as the flexibility to work-from-home a certain number of days per week.

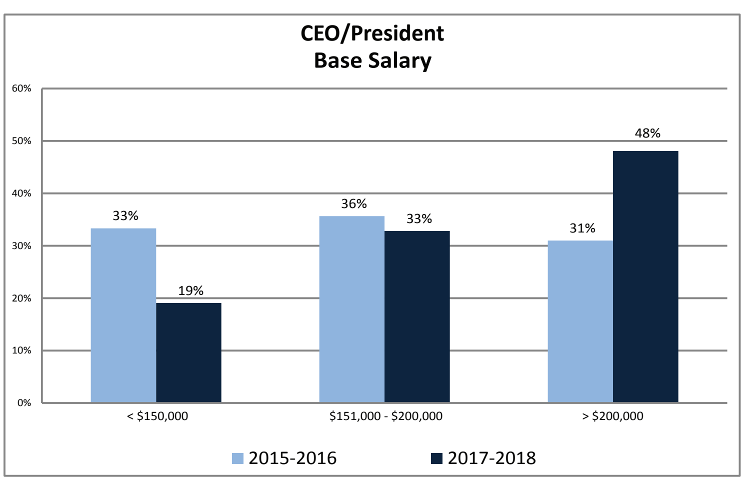
Another area we are seeing an increase in is long-term incentives. These are aimed at rewarding the executive for achieving company goals, and are usually applied over a three-year stretch. This cash payout typically can be significantly above the one-year salary level, sometimes even approaching two salaries, which is beneficial in retaining this executive over the long term. Private companies that are unable to utilize stock offerings as a benefit will often choose this option to keep the executive focused and engaged in achieving targets, as well as being rewarded for hitting these goals. This performance-driven pay typically focuses on company revenue, profit, and cash-flow over a three-year span, sometimes longer.

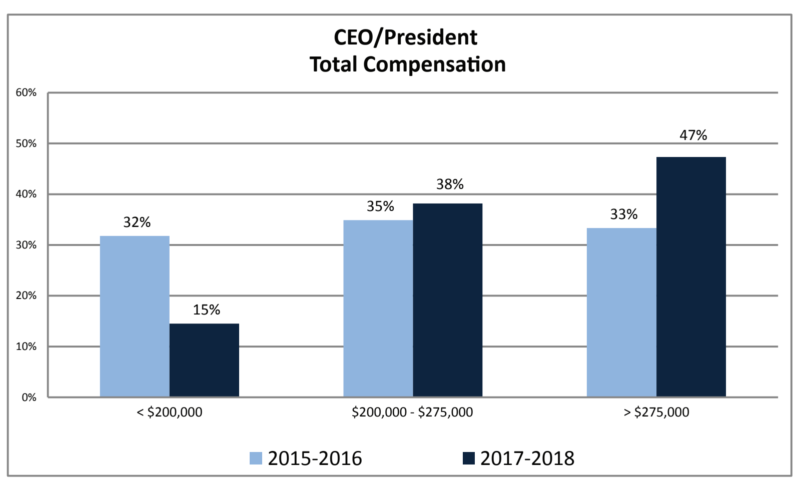
Overall, many organizations which are proactively addressing the challenges of the current "employee market" (unemployment rate stands at 3.7%, the lowest since 1969) are developing compensation strategies that go beyond salary increases. These strategies can include healthcare coverage increases, extensive retirement plans, additional insurance coverages (life, LTC, disability, etc.), and the aforementioned long-term incentive plans for executives.

Sign-on bonuses are also an effective way to provide an employee an immediate benefit, especially if they will be forfeiting a bonus or stock options as a result of departing their old firm for a new one. As referenced, pay-for-performance is an approach that seems to be favored by both firms and their employees, as both sides benefit when goals are met.

It is clear that today virtually all companies are facing new challenges in this tough "employee market" where creativity, flexibility, and yes, additional dollars are required in order to attract and retain top talent. These factors are even more compelling if an employer faces unfavorable external conditions which decrease its attractiveness to high-caliber employees. These might include, for example, being located in an area with less than optimal schooling options for children, few career opportunities for spouses, limited affordable housing, and climate-related risks.

Contact us with any questions or for more information on this topic jrb.management@jrbechtle.com ■





Data Source: JR BECHTLE & Company Propietary Database