

Executive Pay Shift by Level

Introduction

In 2021, the Radford Global Compensation Database (RGCD) included a new Executive level approach. This article looks at the new executive levels and how pay differs from level to level after the first year of publication.

In this article we examine the prevalence of different pay levels to provide RGCD users with a perspective on the new levels as they begin working with the 2022 database across key variables such as:

- Company Ownership
- Industries
- Revenue

To gain a sense of the compensation landscape for executive talent, we analyzed executive compensation data (base salary, target bonus, long-term incentives, and target total compensation) for a selected group of United States companies (n=954) that reported US incumbent pay for 2021 to the Radford Global Compensation Database.

Highlights:

- Overall, there is an average increase of 30% in the Target Total Compensation driven by increases in each compensation element including Long-term Incentives (40-60%) and Base Salaries (15%). Increases in total compensation are greater at the higher levels, with the increase at 16% for E1 to E2 rising to 43% at E4 to E5.
- Base salary increases fall in a narrower range (+9% to +16%) than target bonus (+14% to 44%) or long-term incentives (+36% to +107%).
- Differences by company size and industry vary widely, but FMCG companies tend to have the greatest differences between levels and Service industry companies the lowest.
- Among public companies, the change in pay is typically greater than among private companies. Public companies, who are larger on average, are also more likely to use the E2 and E4 levels.

	E1 - E2	E2 - E3	E3 - E4	E4 - E5
All Company	16%	29%	33%	43%
Public	21%	26%	54%	39%
Private	6%	32%	13%	17%

The remainder of this analysis looks at each level change and highlights key differences by element of pay, industry, size, and ownership.

Methodology

To ensure consistency, only the companies matching both levels were used to make comparisons between levels. Therefore, the companies in one level comparison are not identical to the companies in another level comparison. For each level comparison, the median pay of incumbents in one level was compared to the median pay of the incumbents in the adjacent level. All functions were included in the analysis.

The data was additionally analyzed by the following:

- Industry: Consumer goods (“FMCG”), Retail, Manufacturing, Services, Financial Services, Technology¹
- Revenue: <\$1 billion, \$1<\$5 billion, \$5<\$10 billion, \$10<\$20 billion, \$20 billion or more
- Ownership: Public vs. Private (excluding private equity and venture capital-backed companies)

As a reminder, the table below shows a brief description of each of the RGCD executive levels. A fuller description of the levels can be found [here](#).

Executive Levels	Analogy
E6²	Chairman, CEO
E5	Major Function Leaders, often CXOs, EVPs
E4	Highly Complex / Large Function Leaders, often CXOs, SVPs
E3	Group Function Leaders, Division Presidents, often SVPs
E2	Medium Complexity Functional Leaders, often VPs
E1	Smaller Complexity Functional / Divisional leaders, often VPs

¹ We have not included Life Sciences industry because there was insufficient data reported for the E2 and E4 level.

² In this report we limit our comparison to up to the E5 level only.

Market Analysis by Level

Figure 1

This section reports the results across all functions for each element of compensation.

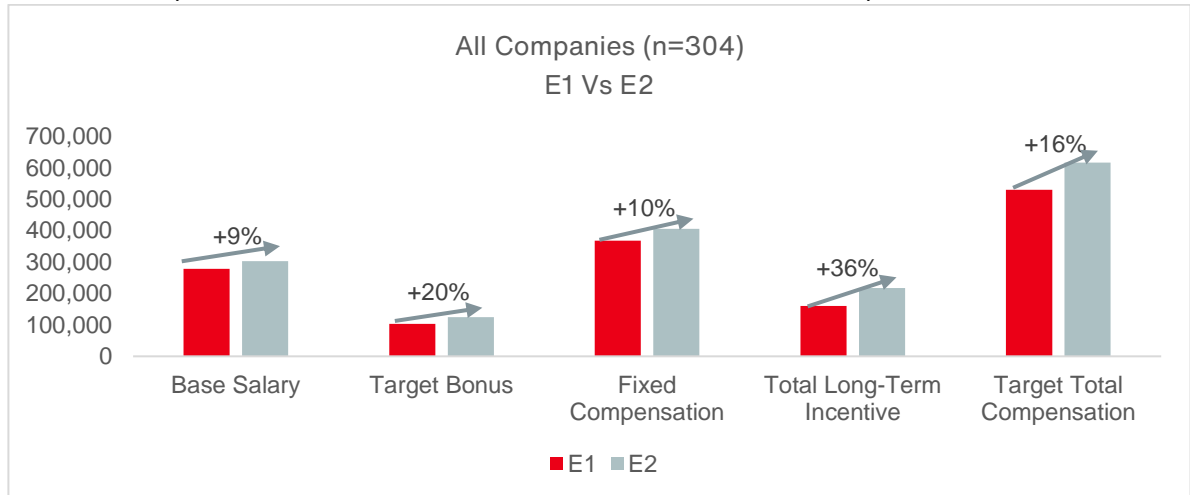


Figure 2

When comparing E1 & E2 levels there is an overall increase of 16% in Target Total Compensation with 10% increase in fixed and 28% increase in the variable components (bonus and LTI respectively).

- Revenue:** While comparing E1 & E2 levels across revenue brackets, there are consistent increases in target total compensation. The highest increase is in companies where revenue is between \$10 billion to \$20 billion bracket (+54%) and the lowest increase is between \$5 billion to \$10 billion (+9%)
- Industry:** When looking at industries, the highest total compensation increase is among FMCG companies and the lowest among Service companies.
- Ownership:** Comparing total compensation across the E1 and E2 levels, public companies' compensation is higher by (+21%) than private companies increase by (+6%) at both the levels. The main driving factor behind this is the LTI prevalence in the public companies which is resulting in a greater increase in total compensation.

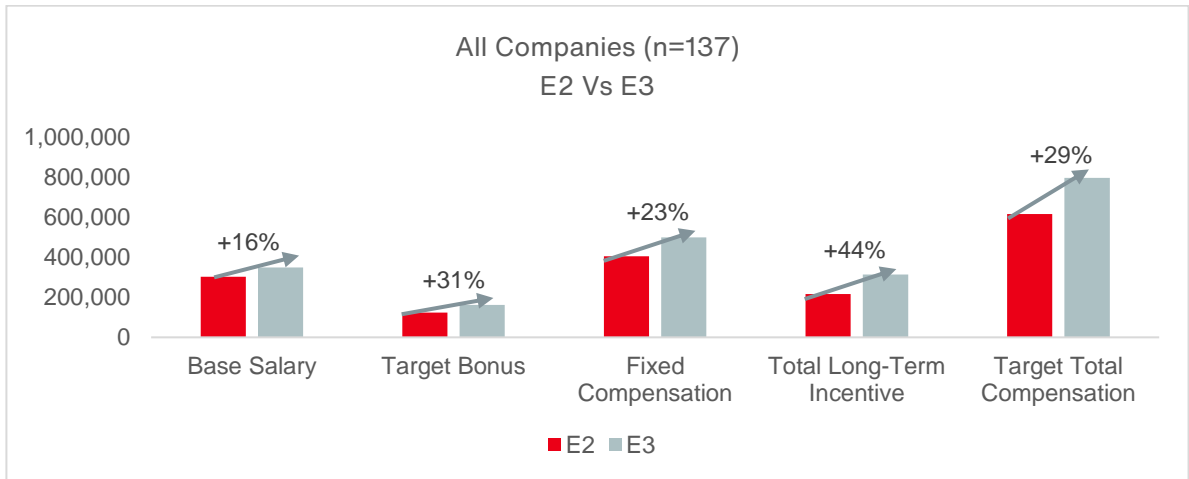


Figure 3

Total compensation rises 29% when moving from E2 to E3, with the biggest increases coming in variable pay. Long-term incentives are 44% higher at E3 than E2 and target bonus opportunity is 31% higher.

- **Revenue** – When comparing E2 and E3, the greatest increase in total compensation is observed among \$5 billion to \$10 billion companies (+23%) driven by a 71% increase in long-term incentives and the lowest increase among \$10 billion to \$20 billion (+5%).
- **Industry** – The Service industry shows the greatest increase in total compensation between E2 and E3 (+51%) while the FMCG industry has the lowest (+18%).
- **Ownership** – In private companies, change in target total compensation is (+32%) higher when we compared E2 & E3 level than the public companies increase (+26%) when we move from E2 to E3 level.

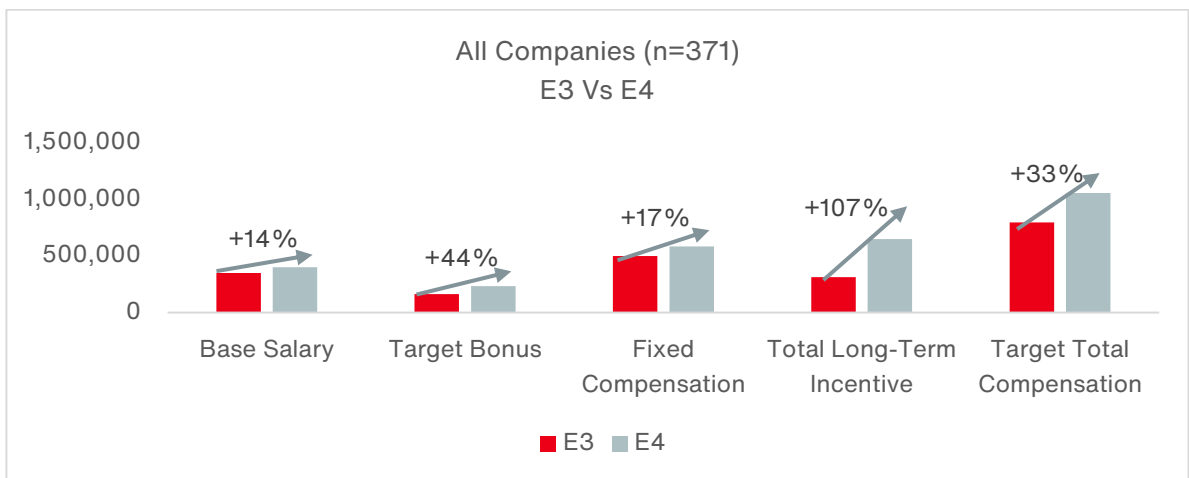


Figure 4

Total compensation increases 33% when moving from level E3 to E4. Like the other level comparisons, the bulk of the increase is driven by a significant jump in long-term incentives (107%) as compared to all other elements.

- **Revenue** – Across different revenue brackets, Comparing E3 and E4 levels, significant increase is in the total compensation as we go up to the ladder. With highest increase in greater than \$20 billion companies (+87%) and lowest increase in less than \$1 billion (+7%).
- **Industry** – As with other level comparisons FMCG has the greatest increase in total compensation (+206%) and Service the lowest (+16%).
- **Ownership** – In public companies, target total compensation is (+54%) higher when we compared E3 & E4 level than the private companies increase (+13%) when we move from E3 to E4 level.

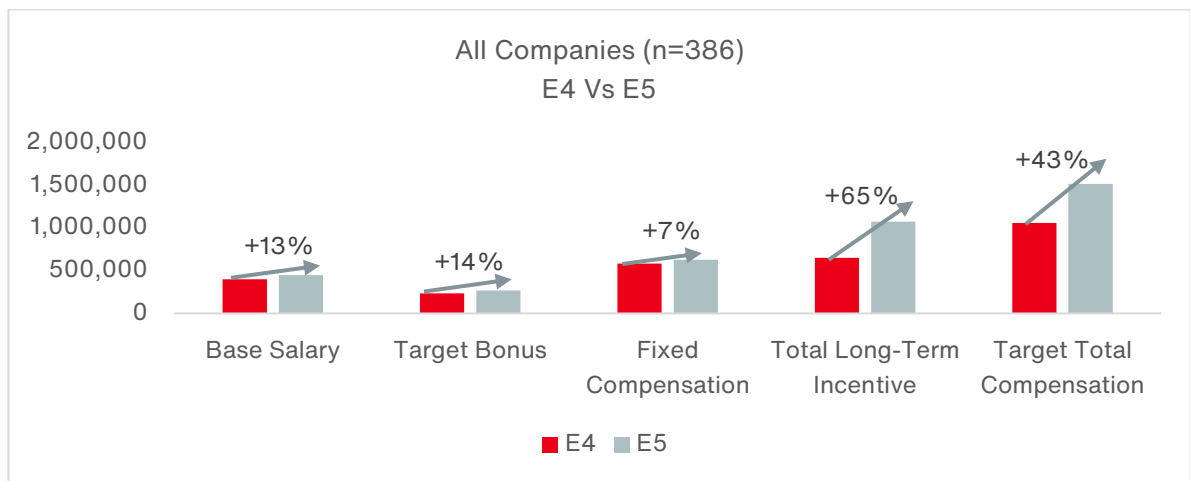


Figure 5

The highest increase in the Target Total Compensation across occurs at level E4 to E5 with the step up to executive leadership roles at E5. As is the case at other levels, long-term incentives (+65%) is the driver.

- **Revenue:** Total compensation increases with company size the lowest increase is in the revenue bracket of less than \$1 billion bracket (+68%) and highest is in of greater than \$20 billion (+116%).
- **Industry:** The highest increase in target total compensation is among FMCG companies (+165%) and lowest in technology (+28%).
- **Ownership:** Target total compensation increases by (+39%) more in public companies when compared at E4 & E5 levels as compared to private companies increase (17%) when we move from E4 to E5 level. Long term incentive is a major part of the pay mix for both private and public companies. The weightage of LTI in private companies are generally less as compared to that of public companies.

Conclusion

In this analysis, we concluded that there is a consistent increase in the compensation stats as we move up in the Executive ladder across all variables. The increase in variable pay is significantly higher than fixed pay across different levels which indicates that variable components of pay like Bonus and Long-term incentive are still the driving factors in Executive compensation.

Talking about the different variables in our study, as we increase the revenue responsibilities, the compensation stats at all levels are also increasing with an average increase of 28% in Target Total Compensation, across all revenue brackets, with highest increase of 59% as we move up from \$10 billion - \$20 billion to greater than \$20 billion revenue bracket. Technology is the highest paying industry, with executives getting 26% higher compensation as compared to all industries.

Public companies pay higher in all components of pay, with the largest difference seen in long-term incentive values as compared to the private companies across all executive levels.

There are several reasons for the executive pay shift by levels, lower-level executive can have limited access to capital and may have fewer responsibilities as compared to the one who has the higher-level. E5 is the highest paid level, as they are the main function heads in the company with highest responsibilities.

Appendix:

Comparison	Scopes	Executive Levels				
		E1	E2	E3	E4	E5
	All Companies (n=954)	\$530,718	\$616,863	\$797,250	\$1,058,888	\$1,517,930
Ownership Breakouts	Public (n=691)	\$552,084	\$667,070	\$841,415	\$1,295,131	\$1,800,311
	Private (n=263)	\$350,195	\$371,475	\$491,130	\$555,052	\$649,040
Industry Breakouts	FMCG (n=58)	\$411,741	\$600,000	\$708,024	\$1,325,296	\$1,678,493
	Services (n=162)	\$564,009	\$592,566	\$894,050	\$1,040,196	\$1,410,128
	Retail (n=49)	\$408,330	\$463,603	\$560,479	\$749,845	\$1,330,465
	Manufacturing (n=145)	\$553,151	\$663,134	\$798,201	\$1,265,326	\$1,530,840
	Finance (n=62)	\$431,860	\$506,971	\$650,922	\$1,084,030	\$1,772,502
	Technology (n=233)	\$629,189	\$791,775	\$1,019,314	\$1,331,930	\$1,710,815
Revenue Breakouts	Less than 1b (n=468)	\$474,996	\$532,208	\$583,764	\$625,620	\$1,053,115
	1b - 5b (n=268)	\$469,283	\$518,370	\$681,805	\$800,000	\$1,482,090
	5b - 10b (n=78)	\$474,147	\$517,665	\$637,420	\$1,009,480	\$1,868,605
	10b - 20b	\$436,308	\$673,222	\$708,657	\$1,294,814	\$2,263,248

	(n=73)					
	Greater than 20b (n=67)	\$600,000	\$803,375	\$1,033,830	\$1,932,925	\$4,181,987

% Comparison	Scopes	Executive Levels			
		E1 - E2 (n=304)	E2 - E3 (n=137)	E3 - E4 (n=371)	E4 - E5 (n=386)
	All Companies (n=954)	16%	29%	33%	43%

Ownership Breakouts	Public (n=691)	21%	26%	54%	39%
	Private (n=263)	6%	32%	13%	17%

Industry Breakouts	FMCG (n=58)	46%	18%	206%	165%
	Services (n=162)	5%	51%	16%	81%
	Retail (n=49)	14%	21%	34%	77%
	Manufacturing (n=145)	20%	20%	51%	21%
	Finance (n=62)	17%	28%	67%	64%
	Technology (n=233)	26%	29%	31%	28%

Revenue Breakouts	Less than 1b (n=468)	12%	10%	7%	68%
	1b - 5b (n=268)	10%	45%	17%	85%
	5b - 10b (n=78)	9%	23%	58%	85%
	10b - 20b (n=73)	54%	5%	83%	75%

	Greater than 20b (n=67)	34%	29%	87%	116%
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