



eFinancialCareers

whitepaper

March 2014

eFinancialCareers 2013 Global Bonus Survey:

Bonuses rise again but
bankers remain disappointed



eFinancialCareers 2013 Global Bonus Survey: The haves and the have-nots

2013 a good year...for some at least

Results have been collated from the eFinancialCareers 2013 bonus survey. We surveyed 2,700 financial services professionals working in the US, the UK, Hong Kong, Singapore and Australia between January and February 2014.

Bonuses in investment banking have risen. However, there are significant discrepancies both in the quantum of bonuses and in the scale of the increase on a country-by-country basis. In key financial services centres, bonuses are increasingly skewed towards a few high performers.

We uncovered widespread dissatisfaction with this year's payouts. Bankers in some regions intend to resign as a result. However, results also indicated that switching jobs is not necessarily a route to higher pay.

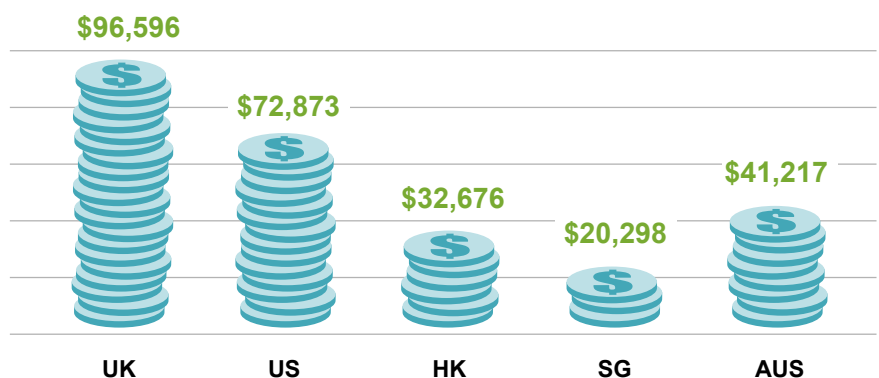
City of London comes up trumps

The eFinancialCareers 2013 bonus survey suggests the highest bonuses globally are to be found in the City of London.

The average bonus in the UK was £58k (\$96k) in 2013 according to survey respondents. This compares to an average of \$72.9k in the US and just \$32.7k and \$20.3k in Hong Kong and Singapore respectively.

London's results seem surprising given European Union restrictions on bonuses, but analysts say the big bonuses in the City are a reflection of its importance as a financial centre. "Banks have some of their highest paid people in London," says Chris Wheeler, a director and banking analyst at Mediobanca. "It's the hub for running not just the UK, but the whole of Europe and EMEA."

2013 mean bonus levels for the US, UK, HK, SG, AU
in USD\$



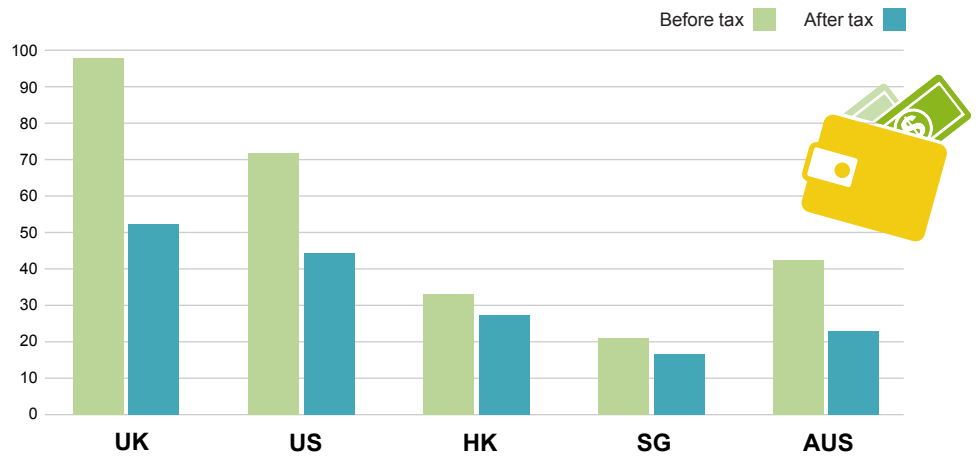
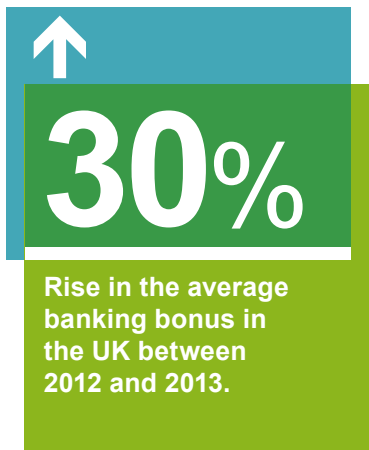
The UK's comparatively high global bonuses are helped by the fact that the country has a high proportion of highly paid front office, revenue-generating staff. Goldman Sachs, for example, paid its London based staff 70% more than its global average for 2012 (the most recent year for which comparative stats are currently available).

By comparison, bonuses in Asia look meagre. This is particularly the case in Singapore. Bankers who want to move to Asia for money will be better off in Hong Kong.

The UK's 45% higher rate of income tax takes some of the lustre off the country's high bonuses. The highest rate of income tax in Hong Kong is just 17%.

Net bonuses after income tax

in USD\$ ('000's)

30%
Rise in the average banking bonus in the UK between 2012 and 2013.

City bankers' big boost

UK banking bonuses were not only the highest in the world. They also increased rapidly between 2012 and 2013.

In 2012, the eFinancialCareers bonus survey suggested the average banking bonus in the UK was £45k. In 2013 respondents suggested it was £58k - an increase of 30%.

What caused City bonuses to rise at a time when fixed income businesses performed badly and the EU has been pushing for bonus restraint?

Bonuses are being allocated to top performers. Median bonuses in London rose by 'only' 25% last year, suggesting the increase was skewed towards high earners.

"There's been a massive amount of divergence in compensation both within institutions and groups," says Michael Karp, managing partner of institutional search firm Options Group. "We know some banks have paid top performers double what they got last year, while others have had zero. It's been a very divergent year." Anecdotally, equities bankers were paid up. "The larger houses have increased their bonuses in equity research by 10-20% compared to last year," says Zaki Ahmed, director at Financial Search Limited.

The 2013 bonuses measured by the eFinancialCareers survey were not impacted by the European Union's legislation. This legislation, which restricts bonuses to 200% of salaries, came into effect on 1st January 2014 but will apply only to bonuses paid in early 2015. The UK's generous bonus round looks like a last huzzah.

Outside the UK market, the increase in bonuses was more modest in 2013. In Singapore, bonuses fell 3% last year. In Hong Kong, they rose a mere 2%.



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Bonus disappointment highest where bonuses are biggest

Investment bankers in the UK received the biggest average uplift in their bonus payments globally this year, but were still grumbling about being underpaid. Hong Kong-based financial services professionals were paid a pittance by comparison, but were generally satisfied with what they received.

Over 40% of UK respondents to the eFinancialCareers 2014 bonus survey claimed that their payment was below what they were expecting this year. By comparison, only 33% of respondents in Hong Kong cited dissatisfaction with their bonus payments.

Hong Kong bankers' relative happiness with their bonuses came despite a mere 2% increase in their payments for 2013 versus 2012. It also came despite the fact that their bonuses were among the lowest globally, at an average of \$32.7k.

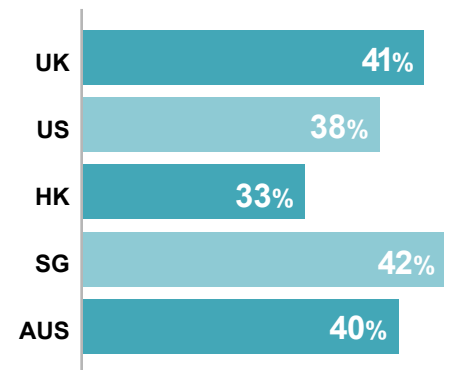
UK-based bankers' relative unhappiness can be linked to their seniority. Senior staffs are more likely to have pay deferred, and evidence suggests they were more likely to have pay cut.

Of those respondents claiming a bonus increase in the UK, the average payment was \$89k while those whose bonus was reduced received a mean payment of \$215k.

Jon Terry, partner in the compensation practice at PwC says bankers in Asia are less likely to challenge bonuses: "It's a very Anglo-Saxon trait to complain about bonuses, but many bankers in the UK will feel particularly aggrieved after years of regulatory intervention over bonus payments."

Percentage of people claiming their bonus was below expectations

by country



48%

The percentage of finance professionals in Hong Kong that expect to change employers this year after receiving a bonus this year.

Asian bankers most likely to change jobs post-bonuses in 2014

Bankers in Hong Kong and Singapore may be among the least disappointed with their bonuses, but they're also among the most likely to change jobs once bonuses are paid.

In Singapore and Hong Kong respectively, 46% and 48% of finance professionals expect to change employers this year – larger ratios than either the US (35%) or UK (38%), according to survey results.

Hubert Tam, managing partner at search firm Sirius Partners in Hong Kong, says this bonus season he's seen more bankers resign, "within just one week of their bonus announcement".

Recent redundancies in the finance sector have made Asian candidates more convinced that staying put isn't in their best interests. "Bankers are now even more open to new opportunities because they see how their careers can be cut short," says Tam.

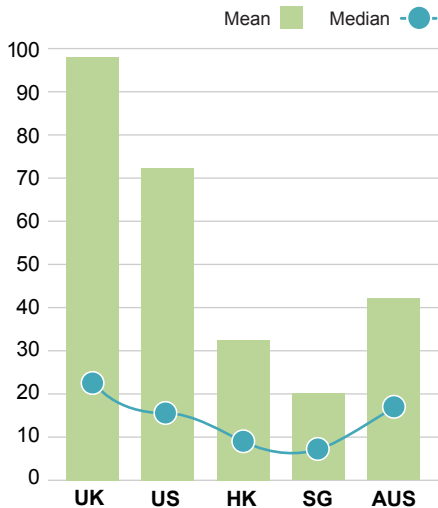
"They want to maximise their income before there are management changes and team restructures."

"It's commonplace in Asia for candidates to jump almost every year for a marginally larger salary," says Nick Wells, a director at headhunters Webber Chase in Singapore. "It's cultural and we are talking about bankers who mainly do their job because it pays very well. If another offer comes along that pays more, they will move."



Mean and median pay by country

USD's (000's)



Pay for performance- or not

The 2013 eFinancialCareers bonus survey suggests that some global financial centres differentiate heavily when it comes to top performers, while others don't.

Median bonuses, which represent the amount paid to the person at the centre of the bonus distribution, are typically much lower than the mean average (which represents all the bonus added together and divided by the sample size). In the US, for example, the median bonus was just \$15k in 2013, compared to a mean of \$73k. In the UK, the median was \$21k, versus a mean of \$96k.

However, the bonus distribution is fairer in some places than others.

Results show that median bonuses are 30% of the mean in the Asia Pacific region, compared to just 21% of the total in the UK and the US. The greater the divergence between the mean the median, the greater the weighting of bonuses in favour of a few highly paid, high performing bankers.

The best place to work if you want a bonus regardless of how well you do would appear to be Australia. There, median bonuses are \$17k versus a mean of \$41k. Sydney would seem not only to be the only financial centre where you can surf after work, but the one where people get paid more equally than anywhere else in the world.

Meanwhile on Wall Street and in London the gap between haves and have nots is widening. As noted above, mean bonuses rose 30% in the UK year-on-year in 2013, while median bonuses rose only 25%. In the US, median bonuses actually fell last year (from \$20k to \$15k), while mean bonuses rose from \$48k to \$73k. Someone is doing much better at bonus time – and it's not the man or woman in the middle of the bonus distribution.

Warped psychology of bonuses

Individual bankers are happy to take the credit when their bonuses increase, but will blame someone else when their bonus falls.

Globally, nearly 50% of all bankers who received larger bonuses in 2013 credited their own personal performance. On the other hand, less than 10% of those whose bonuses dropped in 2013 blamed themselves. In the US, just 8% of bankers who took home a smaller bonus thought they were to blame. In Singapore and Australia, just 2% and 3% did.

UK bankers were most likely to accept culpability when their bonuses dropped. 10% blamed themselves for the decline, up from just 3% the year before.



50%

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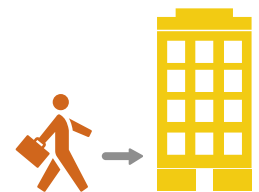
Aggregate global chart showing the causes bankers attribute to their bonus rise/fall

	UK		US		SG		HK		AUS	
	↓	↑	↓	↑	↓	↑	↓	↑	↓	↑
Personal Performance	10%	51%	8%	45%	2%	46%	9%	41%	3%	51%
Firm Performance	41%	19%	51%	30%	51%	19%	48%	24%	42%	17%
Changed Employers	10%	11%	11%	10%	15%	13%	12%	13%	12%	4%
Changed positions within employers	3%	6%	6%	4%	5%	7%	3%	8%	3%	8%
Department performance	14%	7%	9%	7%	9%	3%	16%	8%	9%	13%
Pay structure changed	14%	2%	8%	3%	8%	10%	6%	5%	15%	3%

Moving jobs won't achieve a higher bonus. Nor will a promotion

Switching jobs doesn't automatically equate to a bigger bonus, and nor does sticking with your current employer and hoping for a promotion.

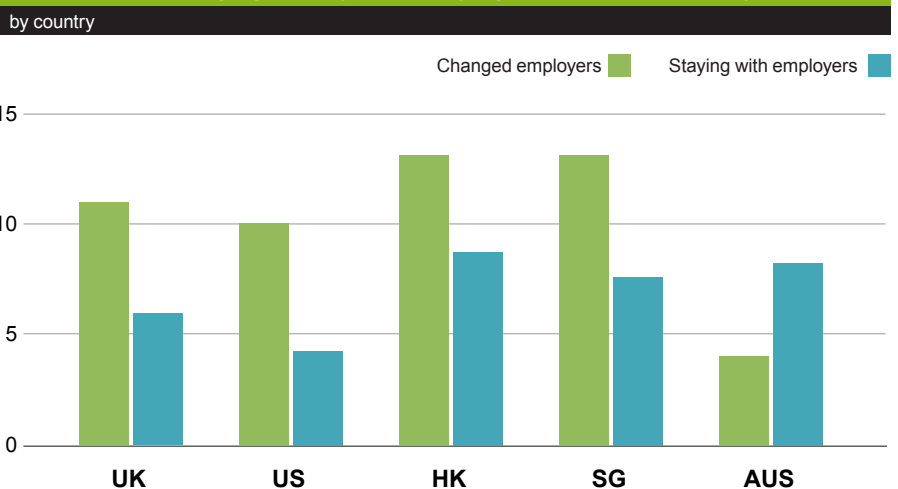
Globally, an average of just 12% of survey respondents said that they increased their bonus by switching companies. Meanwhile, just 4% cited changing jobs within the same organisation as the main reason for an uplift.



Andy Pringle, managing director of headhunters Circle Square said bonus increases are now only achievable in limited circumstances: "You're only going to get an increase if you're moving from an underperforming business into one that's expanding or you're switching from a boutique to a bulge bracket bank."

While an internal promotion will mean an increase in base pay, an automatic rise in bonus payments doesn't always happen. Jon Terry, partner in the compensation practice at PwC says: "Getting a promotion offers the potential for a bigger bonus, but your performance targets have been recalibrated and are harder to hit."

Percentage of bankers who said their bonus had increased as a result of changing employers or staying with the same employer.



Conclusion:

Last of the big London paydays?

The latest eFinancialCareers bonus survey seals the City of London's reputation as the world's highest paying financial services centre. It also suggests that London's high earning bankers are the least happy with their bonuses.

This may be the last year that the City is at the top of the tree. As EU bonus regulations bite, the US can be expected to overtake London as the world's highest-paying bonus centre in 2014. Both Singapore and Hong Kong have a long way to go if they are to catch up.

About eFinancialCareers

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eFinancialCareers provides finance professionals with the latest job opportunities, career information and invaluable industry insights they need to maximise their potential. The site connects them to roles within many of the world's most respected financial organisations

Through its recruitment solutions eFinancialCareers provides financial services recruiters a vital competitive edge by enabling them to source the highly qualified professionals they need to achieve their strategic ambitions - quickly and efficiently.

eFinancialCareers offers local websites in 19 markets across North America, Europe, Asia-Pacific, and the financial centres of the Middle East.

