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Asset Management Comp Slides Lower, Except for Those with Specialized Skills

By Dervedia Thomas March 9, 2020

Asset management industry paychecks are on the decline, but not for workers with specialized skills.

The excess talent generated by asset management consolidation and staff cuts has contributed to fractured compensation in the job market, as managers seek specialized skills. Firms are paying more for staff with technology expertise and very specific abilities while more traditional candidates face stagnant or declining pay.

Last year, U.S. asset managers spent between 3% and 4% less on compensation, overall, compared to 2018 levels, according to data from compensation consultancy **Johnson Associates**. The levels represent a relatively flat (-0.04%) change in compensation and benefits per employee, although revenue declined by 2% per asset management staffer.

“The industry has grown more competitive. There’s excess supply of products and people, so that has helped take down [incentives],” says **Alan Johnson**, managing director at Johnson Associates. “I think that will continue at least for the foreseeable future. It’s certainly going to continue in 2020, probably into 2021.”

Hedge funds, private equity and real estate firms' compensation levels ranged from flat to a 5% increase in 2019, according to Johnson Associates.

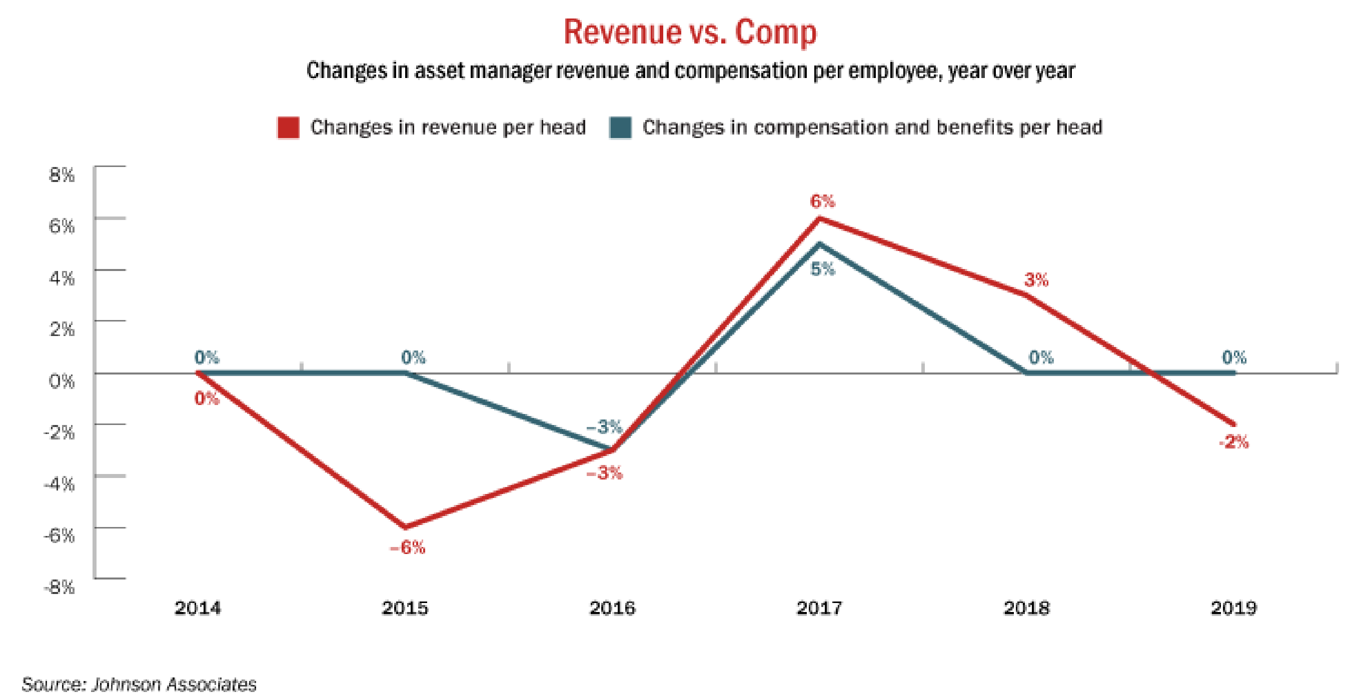
The industry is willing to compensate candidates with proficiency in data science and other trending skills, Johnson adds.

“You’ve seen some firms hire people without really having a clear idea [of] how they would use something,” he says.

Staffers with traditional qualifications got the shorter end of the stick, says **George Wilbanks** founding partner of executive recruitment firm Wilbanks Partners.

“Bonus pools are under duress,” he says. “If you made the same as you made last year you’re doing really well.”

Amid the glut of talent in the market, asset managers are looking for niche skills, like portfolio



managers with expertise in small-cap concentrated equities, distressed debt, activist, timber, infrastructure finance or environmental, social and governance investing, Wilbanks explains.

Chief marketing officers with technology skills like cloud-based data analytics are also dominating searches, Wilbanks adds.

“For ages, if you wanted to increase your sales, you’d add another salesperson. All of a sudden, that’s not working,” he says. “You’re finding that you can lay off salespeople in an internal sales desk and build a more robust digital platform … and see an increase in sales and spend less money. So, the chief marketing officer needs to be somebody with a computer science degree and a data analytics background.”

Aristotle, a $36 billion asset manager, has changed the way it hires employees to lure tech talent, says **Robert Womack**, the firm’s chief innovation officer. Aristotle recently hired a request for proposal (RFP) specialist that had to prove she could code, analyze and manipulate data, and write commentary, he adds.

The goal is to diversify the skillsets in its marketing division, Womack explains.

“We’ve had a number of members of our marketing team take a talent assessment test, or a strength test, to evaluate what they’re good at,” he says. “Then we think through what gaps we have within the team and what we need to complement the other members.”

Aristotle has been willing to pay more for these candidates, Womack says.

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"You could say, on a small level, there is a heightened increase that has happened year over year for specific technical skills," he says.

Sales staffers are also feeling the pinch as their compensation shifts from just being a percentage of sales, Wilbanks says.

"The trend in sales compensation, retail and institutional, is away from revenue sharing and portable books of business and much more towards a team-oriented, solution-based selling cycle, which is usually multi party," he says. "The person that's actually in the field doing the cold calling is only half the story."

As a result, salespeople who understand the intricacies of institutional investors' portfolios are in a better position to land jobs and earn more money, Wilbanks adds. These staffers typically have chartered financial analyst (CFA) certifications and can analyze and replicate portfolio-construction optimization models, he explains.

"[The client] will be running some sort of an algorithm … the salesperson has to peer in … and say, 'I know you're running this model, we've got a better mousetrap than the three managers here,'" he says.

Compensation levels may also vary widely for heads of divisions and C-Suite executives, says **Larry Lieberman**, senior managing director at the recruitment firm Orion Group.

"We're frankly seeing a more fractured compensation picture than we have probably seen since the height of the crisis," he says. "The ranges for senior-level roles are broader than we've seen in a long time. There is just as much competition as there's ever been for really accomplished talent regardless of the discipline, and compensation remains high for those individuals in high demand."

Asset managers have the upper hand because many prospects are high-performing candidates who have been squeezed out of a job following a merger or acquisition, Lieberman adds.

"Typically, when you've got a redundancy situation, you could be pretty good and still be out of a job," he says.

The candidates reaching out to Aristotle are a mixture of employees that have been let go and those who are currently employed, Womack says. He views the latter as more "unique and interesting" because they're proactively assessing the job market and where they can advance their careers, he says.

Managers generally place more value on poaching employees, but this may not be realistic in the current environment, Lieberman says.

“Hiring organizations need to recognize that with change being so consistent right now … it’s ever more difficult to extract a high-performing individual from a stable environment,” he says.

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