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Six Post-Pandemic Compensation Considerations
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Overview
As the initial chaos of the COVID-19 pandemic begins to fade, many organizations have turned their attention to plotting a course through the remainder of 2020 and beyond. At the time of this writing, unemployment remains high in the US and economic conditions remain turbulent. Few predictions can be made with certainty, apart from the fact that COVID-19 will continue to affect the workplace for the foreseeable future. During such tumultuous times, it is critical for employers to set a compensation strategy that is both thoughtful and strategic. To help organizations with this difficult task, 3C has outlined some key considerations for charting a course through the uncertain times ahead.

Charting the Next Course – Key Considerations

1. Be Sure to Evaluate Pay Mix and Recognize High Performers
2. Consider New Job Responsibilities
3. Plan Carefully for Exiting & Re-Boarding Employees
4. Assess Strategic Implications of Remote Work
5. Continue to Monitor the External Market & Take Time to Review Internal Equity
6. Communication is Key

1. Be Sure to Evaluate Pay Mix and Recognize High Performers
Highly leveraged pay plans with large upside potential are much less attractive during a down market. While the cost savings of reduced payments can be a boon during tight times, they can also be a double-edged sword that motivate high performers to look for better compensation elsewhere. A modest increase to base pay could help offset lower incentive payouts or, if cash is tight currently, stock options or longer-term incentives could help retain essential employees. Similarly, non-monetary rewards such as opportunities for growth, high profile assignments, and small recognition awards can also be valuable tools to keep high performers engaged and help offset lower incentive payouts in the short-term.

2. Consider New Job Responsibilities
Employees returning to work in a post-pandemic environment are likely to have new safety responsibilities, such as higher cleaning standards or regular temperature checks. For most, these responsibilities will be relatively small impact routines to add to their job, such as cleaning a workstation thoroughly after use. With these, no adjustments are needed. For other employees, such as cleaning or healthcare staff, new post-pandemic responsibilities may represent a significant shift in job responsibilities. If major new duties have been placed on employees, and your organization plans to impose these responsibilities for the next year or longer, consider whether it is appropriate to add these new tasks into the job description for that role (and whether this impacts the market value of the job overall).

There also will be job changes for employees of organizations that have furloughed or cut staff. Temporary duties that become regular duties should be documented. Even if extra compensation is not an option for 2020, maintaining up to date and accurate job descriptions is important. It is also important to monitor workload, especially in situations where employees are working remotely. Some adjustments might be needed to distribute extra work more evenly across a smaller staff.

3. Plan Carefully for Exiting & Re-Boarding Employees

Perhaps the greatest disruption caused by COVID-19 has been the layoffs and temporary furloughs sparked by state shutdowns or by declining demand. For some employers, the time has come to begin bringing employees back to work as production begins to increase, while for others, it may be time to consider instituting further cost savings measures and additional layoffs.

Before announcing layoffs, be sure to research local legal requirements, which can vary from state to state. Severance for employees without a specific severance contract is typically one to two weeks multiplied by years of service. While cost saving measures might inhibit your organization's ability to pay, ideally there will be some recognition of performance and service for all employees. Remember that how employees are treated on their way out will greatly impact their willingness to return (especially in the case of temporary furloughs) as well as the morale and productivity of the remaining workforce. If you plan to rehire when the economy improves, have a communication plan in place for reaching out to laid off staff and stay in contact with them during the interim.

On the flip side, for organizations looking to begin returning employees to work, it is important to be strategic and have a plan in place. Consider implementing a formal re-boarding plan (such as those typically used for employees returning from an extended leave) to help orient employees back to the workplace. For lower wage earners, consider the impact that current stimulus and unemployment benefits might have on pay competitiveness. In some cases, employees might receive higher pay while remaining unemployed, meaning employers might consider enhancing workplace and hour flexibility, temporary pay premiums, or bonus plans to entice employees back to work. Currently these unemployment provisions are set to expire at the end of July, but be sure to have a plan in place if they are extended beyond this horizon.

Organizations that do bring employees back to an office setting must also ensure that they fully meet the standards of safety for their community, have clear rules and guidelines in place, and monitor for compliance by all. Accommodations for those who cannot return to the office also should be addressed.

4. Assess Strategic Implications of Remote Work

For the past few months, most employers have had their hands full with the logistical complications of transitioning large segments of their workforce to remote work. Now that the nuts and bolts of remote work policies have been put into place, it is a good time to consider the more strategic implications of continuing remote work, or of transitioning away from it. Does the current remote work policy you have in place seem to be working? From a compensation perspective, consider the impacts of the following:

Recruiting and Cost of Labor Advantages: Organizations with a permanent and effective remote work policy will enjoy the advantage of being able to expand their recruitment beyond local markets. For areas with a high cost of labor, this provides the additional advantage of hiring qualified employees in less expensive markets.

Appropriate Geographic-Based Pay Differences: Organizations having a geographically dispersed remote workforce will also need to determine the best approach to address geographic-based pay differentials and whether market competitive pay is linked to where the individual lives, the office location to where the individual reports, or, in some cases, if geographic-based pay differences should be eliminated entirely or offered to a select group of employees. (Typically geographic differentials are less prevalent or not as significant for higher wage earners and those at the manager level and above.)

Culture and Compensation: Although it is often overlooked, workplace culture is an important part of an employee's total compensation package. Has remote work had a detrimental impact on organization culture overall? If so, your organization should consider how to offset the loss of this benefit for employees. Similarly, loss of office amenities and other workplace benefits should also be considered from a total compensation perspective.

Indirect Compensation & Expenses: With remote work comes a variety of new expenses and compensation elements. Survey data indicates that a majority of organizations are providing company laptops and computers, technical support services, and office supplies to newly remote employees. Other organizations have offered temporary stipends to staff during the initial transition. In addition to these new expenses, also consider any potential liability and worker's compensation issues that might arise from remote work.

Administrative Costs: For some organizations, compensating employees across state lines for remote work has significantly increased administrative burdens. Organizations should be careful to measure the impact of this additional work when deciding if remote work policies make sense for them.

5. Continue to Monitor the External Market and Take Time to Review Internal Equity

Many organizations have taken compensation actions to manage costs, such as canceling or postponing merit increases, or instituting pay reductions. During the 2009 recession, average salary increase budgets declined by roughly 2% and it would be reasonable to expect 2020 projections (originally at 3%) to decline as well. With this expectation of lower wage growth and to manage limited resources, some organizations are choosing to sit out on 2020 survey purchasing and participation. While this is certainly understandable, participating in surveys on an annual basis helps maintain their integrity and consistency. If budget constraints prohibit the purchase of a survey this year but it is feasible to complete the questionnaire and submit requested data, this will help in keeping the survey a reliable gauge of wage trends.

Now would also be a good time to complete an internal equity analysis. With a wave of social justice activism and protests currently sweeping the country, pay inequities have never been a more relevant topic. Consider performing an in depth pay equity analysis to identify and remedy any potential pay gap issues.

6. Communication is Key

More than anything else, having a plan and communicating it effectively is key to navigating the uncertain times ahead. Try to be clear and reasonable with employees. Living with job insecurity is stressful and unproductive, and there is no need to communicate potential job cuts months in advance. On the other hand, be careful making broad announcements that there will be no cuts if that is not certain for the foreseeable future and be well-informed of legal requirements. As your organization implements new plans and policies, be sure to regularly communicate these to employees.

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