

Virtual  
Working  
Group:

The Impact of  
COVID-19 on  
Compensation  
Practices

## The Impact of COVID-19 on Compensation Practices

May 4, 2022

### DISCUSSION TAKEAWAYS

#### Remote Work and the Return to the Office:

CAHRS members have taken different approaches towards remote work. For companies with essential workers, remote was never an option and the focus turned to Personal Protective Equipment (PPE) investments and safety. The trend for most companies appears to be a gradual and phased return to work from fully remote to hybrid, and so on. Some noted that prior to the pandemic higher compensation could be seen as a substitute for a remote option, however it is less clear now whether they remain substitutes. Many employees expect a continuation of remote work options. Some companies saw major reductions in in-person work when a remote option was offered. However, member companies acknowledge for many, work can be done remotely, but is one's best work done at home? Is it possible to build mentor relationships, socialize workers into the company culture, or engage in spontaneous collaboration while workers remain remote?

#### Flexible Work Arrangements & Benefits:

In response to COVID-19 and an increasingly competitive labor market, our members have adopted different strategies related to flexibility both in work arrangements and benefits. One strategy offered is to invest in benefits most associated with one's mission and strengths. For example, a firm specializing in wellness may choose to offer top market wellness benefits to employees while remaining at or slightly below market in other areas of total rewards. Another strategy for companies with corporate locations across the globe has been to focus less on developing a set of rigid policies but offer a flexible set of principles instead. This allows local teams the space to tailor total rewards to the needs of their specific situation. However, it should be noted that increased flexibility also comes with the hidden cost of benefit availability and more complex administration. Some members noted remote work options have resulted in workers moving to areas outside of benefit coverage which has been a challenge to manage. Increased benefit flexibility may require decreased geographic flexibility.

#### Geographic Differentials in Compensation:

Another challenge for our CAHRS members has been related to compensating those working remotely. How should companies adjust their compensation as employees move from high- to low-cost areas? Some members with a low percentage of movers opted to remove their steepest discount without cutting pay so that over time, salaries would eventually readjust to match geographic differentials. Workers would simply not receive the same salary increases they had in their previous locations. A consistent note from our members is that they should not cut wages. To avoid this, some companies have included location pay as an explicit line item so a change in pay is expected ahead of a move. A few have decided to completely get rid of geographic differentials in compensation.

11  
participants  
from  
5  
CAHRS Companies:

Accenture  
American Express  
Cigna  
Gympass  
Prudential

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This Summary Report was prepared by Reed Eaglesham, Diane Burton and Tae Youn Park for participants of "The Impact of COVID-19 on Compensation Strategy" Virtual Working Group.

The Center for Advanced Human Resource Studies (CAHRS) is an international center serving corporate human resources leaders and their companies by providing critical tools for building and leading high performing HR organizations. CAHRS' mission is to bring together Partners and the ILR School's world-renowned HR Studies faculty to investigate, translate and apply the latest HR research into practice excellence.

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### **Talent Acquisition and Promotion:**

As the labor market heats up and inflation rises, CAHRS companies have noticed large increases in compensation requirements from both internal and external pressures. Although on its face investing and promoting workers internally is significantly cheaper than hiring externally, there is a noted problem. Once employees are promoted to higher positions, in some cases they are more likely to use their promotion as a bargaining chip to get higher offers outside the firm. Boomerang hires are common, which seems to indicate that employees value their home organization but are taking advantage of the improved labor market. It should be noted that some CAHRS members believe this will only last for so long. There are only so many desired positions and they will eventually fill up which should drive up competition. These issues may just blow over soon enough.

### **Compensation Data:**

CAHRS members have all noted that obtaining up-to-date, relevant compensation data is difficult and often very expensive. There is limited information on hybrid worker pay compared to full-time workers. Free data tends to be untrustworthy and crowdsourced data is mostly collected from medium and small organizations and is unsuccessful at capturing the complexity of compensation among larger companies. However, Professor Diane Burton mentioned that there may be a future for affordable, accurate data from the Bureau of Labor Statistics (BLS). There is a big movement in the BLS to encourage companies to invest in partnerships to take advantage of their wealth of data.

### **Four Hour Work Week:**

With a legislated 32-hour work week being considered in California, CAHRS members wondered how a change like this may affect compensation and benefits. Some also wondered whether this is a part of a trend of the American workforce asking for working conditions closer to those found in Europe. The general consensus was that a four-day work week is not likely to be commonplace in America any time soon, but that experience in other countries has shown no serious impact on productivity. Most Fortune 500 companies compensate their workers based on productivity, which is less likely to be impacted by a four-day work week. Smaller businesses, however, may be negatively impacted if this policy is legislated as some jobs are input rather than output focused. This should also impact salaried workers differently than hourly. Members have found hourly workers are interested in increased flexibility, which has been successful in professions such as nursing.