

# Adapting and Thriving as a Compensation Professional in 2022



# Agenda

- What should we be thinking about and looking at?
- What changes are needed in our profession at how to look at data?
- How will the onset of hybrid and remote work impact pay philosophies?
- Will compensation need to be communicated differently?
- With Inflation at record levels, what changes should we be thinking about?

What should we be thinking  
about and looking at?

# Be a better business partner

- Listen to the business
  - What does your applicant flow look like? What is your time to fill a job?
  - What does your turnover look like?
  - What's changing with the Employee Value Proposition: remote, hybrid, back to the office, robots, people moving to Hawaii, etc.
- Understand how to put context around things and look for systemic vs. non-systemic factors.
  - Example: Business partner says “we have to do something about compensation, our turnover is skyrocketing to 15% from 10% last year, we are losing ground in comp because everyone is leaving for more money”
    - Understand what your comparable job turnover, if the broader industry went from 40% to 60% turnover, then your relative turnover maybe the same.

# Trivia Break!!

Right now, in 2022, what is the current salary threshold to be an exempt employee in New York City?

# What should we be looking at?

- Everything: Don't be quick to toss out "bad data"
- BLS Data: Spend time reading new releases, find the data tables
  - Inflation rates, Employment Cost Index, JOLTS report, Wage Reports
- Legal Updates: FLSA changes by state, minimum wage, pay transparency, regulatory changes from federal agencies
- Who is your audience? With an upturned labor market – revisiting recruiting strategies and who your competitive set is important.
- Your compensation philosophy... What markets you target, how you define them, what your overall employee valuation is...

# Dig Deeper

## NEWS RELEASE BUREAU OF LABOR STATISTICS U. S. DEPARTMENT OF LABOR



Transmission of material in this news release is embargoed until  
8:30 a.m. (ET) Friday, April 1, 2022

USDL-22-0557

### Technical information:

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### THE EMPLOYMENT SITUATION — MARCH 2022

Total **nonfarm payroll employment** rose by 431,000 in March, and the **unemployment rate** declined to 3.6 percent, the U.S. Bureau of Labor Statistics reported today. Notable job gains continued in leisure and hospitality, professional and business services, retail trade, and manufacturing.

Chart 1. Unemployment rate, seasonally adjusted, March 2019 – March 2022

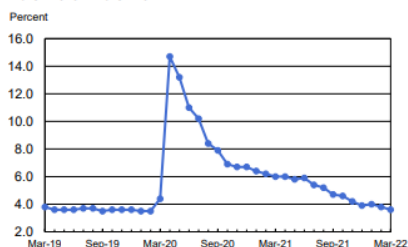
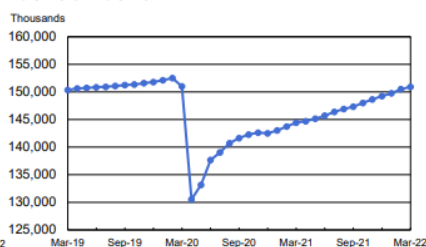


Chart 2. Nonfarm payroll employment, seasonally adjusted, March 2019 – March 2022



This news release presents statistics from two monthly surveys. The household survey measures labor force status, including unemployment, by demographic characteristics. The establishment survey measures nonfarm employment, hours, and earnings by industry. For more information about the concepts and statistical methodology used in these two surveys, see the Technical Note.

https://data.bls.gov/apps/compensation-comparison-matrix/home.htm

An official website of the United States government [Here is how you know](#)

**U.S. BUREAU OF LABOR STATISTICS**

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Bureau of Labor Statistics > Data Tools > Charts and Applications > Pay Measure Comparison

## Pay Measure Comparison

The U.S. Bureau of Labor Statistics has 12 surveys or programs that provide information on pay and benefits. Choosing the data source that is right for your needs can be a challenge. Compare the features of these data sources.

**Instructions:** Compare up to three data sources at a time by selecting them in the column header dropdown menus. To compare all data sources by a characteristic, click on that cell in the table.

### Comparison Matrix of BLS compensation data sources

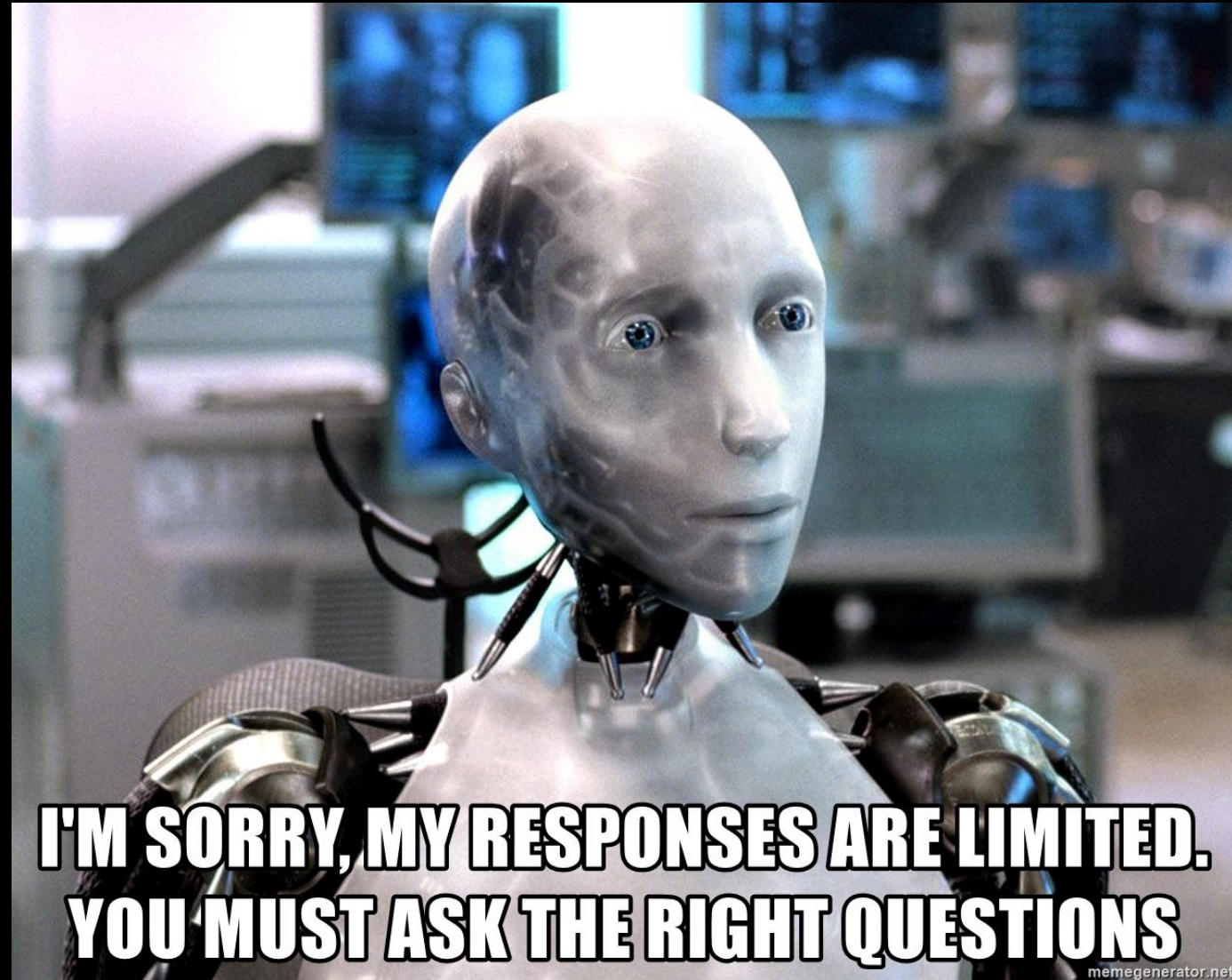
Characteristics	Employment Cost Index ▾	Current Employment Statistics survey ▾	Current Population Survey ▾
<b>Forms of compensation included</b>			
<input checked="" type="checkbox"/> Wages and salaries before taxes and other deductions?	✓ Yes	✓ Yes	✓ Yes
<input checked="" type="checkbox"/> Employer costs for benefits?	✓ Yes	✗ No	✗ No
<input checked="" type="checkbox"/> How is the unit of measurement presented?	Index numbers to show percentage changes from previous periods	Current dollars and constant 1982–84 dollars	Dollar amounts
<input checked="" type="checkbox"/> Characteristics of benefits plans?	✗ No	✗ No	✗ No
<input checked="" type="checkbox"/> Employer 401(k) contributions?	✓ Yes	✗ No	✗ No
<input checked="" type="checkbox"/> Stock options?	✗ No	✗ No	✗ No
<input checked="" type="checkbox"/> Commissions?	✓ Yes	✓ Yes, if earned and paid at least monthly. Not estimated separately.	✓ Yes, if usual

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Before we look at data:



# “Wrong” questions we are asking... or answering...

## Questions that fall short

- What was our merit budget last year?
- What was your merit budget last year?
- What do you plan on doing for Merit next year?
- How much more do we have to spend to reduce turnover?

## “Better” Questions

- How many off-cycle increases did we issue?
- How much more do our employees earn?
- Comparing year-over-year: How did base pay change for the average employee in the last 12 months?
  - Cut this by the same job, different jobs, promotions, transfers, etc,
  - What about your terminations, what was their trailing 12month comp rate change?
- Why are people quitting, and how much is compensation contributing to that?

# Don't Over-Extrapolate the Trend

- January 2020 - Jobs **roaring back at 225k** jobs added in January of 2020, continuing a long, steady recovery, **3.6% unemployment**
- April 2020 – Employment shatters records and **drops 20.5 million** people from the workforce, unemployment rate **14.7%**  
**unemployment**
- April 2021 – April's Expected Hiring Boom Goes Bust – non-farm payrolls increase by **only 266k – 6.1% unemployment**
- March 2022 – March job **rises by 431k**, **unemployment at 3.6%**

**Never underestimate the reversion to the mean...**

# Considering Data

- Don't underestimate how much COVID has broken your data and everyone else's in terms of long-term, longitudinal work...
- Understand the Quality of data: "It's not Good or Bad"
  - Relevance – Is addressing my question?
  - Timely – Is this data still relevant to my question?
    - ~52% of the labor force was hired within the last year, with that many job changes – how reliable is the April 1, 2020 effective data comp survey data you have?
  - Sample Sizes: Lots of misconceptions
    - "legal" sample size, versus statistical sample sizes, versus data cuts – and how you use and reuse them are common pitfalls. I.e. "I have a sample of 1,000 observations for an issue. However, the event is only likely to happen 10% of the time, and I want cut my data on 4 different dimensions"

How will the onset of hybrid and remote work impact pay philosophies?

# How will the onset of hybrid and remote work impact pay philosophies?

- Answer: It depends...
  - How have you historically handled it?
  - What is changing with your population?
  - Is it temporary or part of the “new way”?
- Big tactical challenges
  - What to do about the “movers?” (I go remote and leave the area, or move to a higher/lower cost area)
  - What to do about remote work in the long run?
  - How much of this is a CEO visibility challenge? (i.e. you’ve got 2x as many people working remote now versus what you did before, but because it wasn’t showing up in HBR articles, now everyone’s asking about it)

# Remote work

- Questions to ask when thinking about your remote policy:
  - Is it clear who is benefiting from the remote work, is it mutual, or more for the company or the employee's benefit? You probably have a mix of all 3.
    - 2<sup>nd</sup> shift call center employees working from home is mutually beneficial.
    - An Executive who lives in Aruba with no business operations there is for their benefit.
    - Selling the office building and telling teams to meet up at Starbucks is for the company's benefit.
  - What are the real costs/savings to the business, tech infrastructure, responsiveness, travel budgets, office space, toilet paper, etc.
  - Understand where this fits in your value proposition to employees.
  - Set a compensation policy that aligns with how the benefits and work align with the business need. If you need everyone in the same building 3 days a week, don't tell people they can work from "anywhere".

Will compensation need to be  
communicated differently?



# Will compensation need to be communicated differently?



Since the decline of pensions and death of the idea of lifetime employment at companies, the transactional nature of employing someone becomes more of an issue.

Mental health obstacles, remote work, and a labor market that makes changing jobs about as easy as changing socks – add to the pressure that was already mounting for most of us.

# Transparency

As more and more locations require publishing salary ranges, or revealing them to candidates upon requests – society will come to expect more and more.

Nobody knows how soon or how fast, but building compensation policies, practices, and communications that allow you to explain to someone with more “science” and less “art” will likely be necessary in the future.

# Trivia Break!!

On March 30<sup>th</sup>, 2022, Governor Jay Inslee Signed a law updating pay transparency rules in which state?

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thinking about?

# Inflation...

- Labor is a part of inflation, but they can float apart...
  - Wages tend to lag, and also be sticky
  - higher turnover creates more wage movement
- How often you give increases? (Annual increases probably don't work with double digit inflation)
- What kind of increases you give matter? COLA, Merit, Market Adjustments, Pay Equity, etc. Do you create an annual cycle with multiple touch points?
- How you communicate is important.