

# Salary Planning in a Pandemic

Salary Planning Survey Insights and Summary Comments

September 16, 2020

Presented By | Patrick Glynn, Senior Consultant  
Jennifer Hassrick, Consultant



Cottingham & Butler

# TODAY'S PRESENTERS

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**Patrick Glynn**  
Senior Consultant

Patrick Glynn has nearly two decades of leadership experience in human resources and administration, and over seven years advising clients in a consulting role. Patrick advises his clients on matters relating to employee compensation, total rewards management, organizational planning, labor relations, and other human resources matters.

Patrick holds a Bachelor's degree in Public Administration from the University of Wisconsin-Stevens Point. He has been President of the Wisconsin Public Employers Labor Relations Association and was a member of the board of directors of the National Public Employers Labor Relations Association.



**Jennifer Hassrick, MS**  
Consultant & Operations Manager

In addition to client consulting, she is responsible for the development and maintenance of the firm's proprietary survey data warehouse, customer database and business development programs. Her work experience also includes involvement with CDC's partner companies and the development of survey instruments and database driven applications.

Jennifer has a Master's degree in Sports Administration from Northern Illinois University and a Bachelor's degree from the University of Wisconsin – Madison. She has over ten years of business ownership and management experience, primarily in the retail and service industries.

# COVID-19'S EFFECT ON JOBS AT SMALL BUSINESSES IN THE UNITED STATES

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- **The pandemic has not affected industries and employee groups evenly.**
  - Less affected: finance and insurance, professional services, real estate, utilities
  - More affected: accommodations and food service, arts and recreation, educational services, healthcare and social assistance
- **Not all jobs have been affected evenly.**
  - Low-income workers and small businesses are the most vulnerable
  - Up to 86 percent of the initial impact affects jobs that were paying less than \$40,000 per year
  - Almost all (98 percent) of the affected jobs paid less than the national living wage of \$68,808 for a family of four.

**Source:** “COVID-19’s effect on jobs at small businesses in the United States” (McKinsey), May 5, 2020, <https://tinyurl.com/y2c8fcp6>

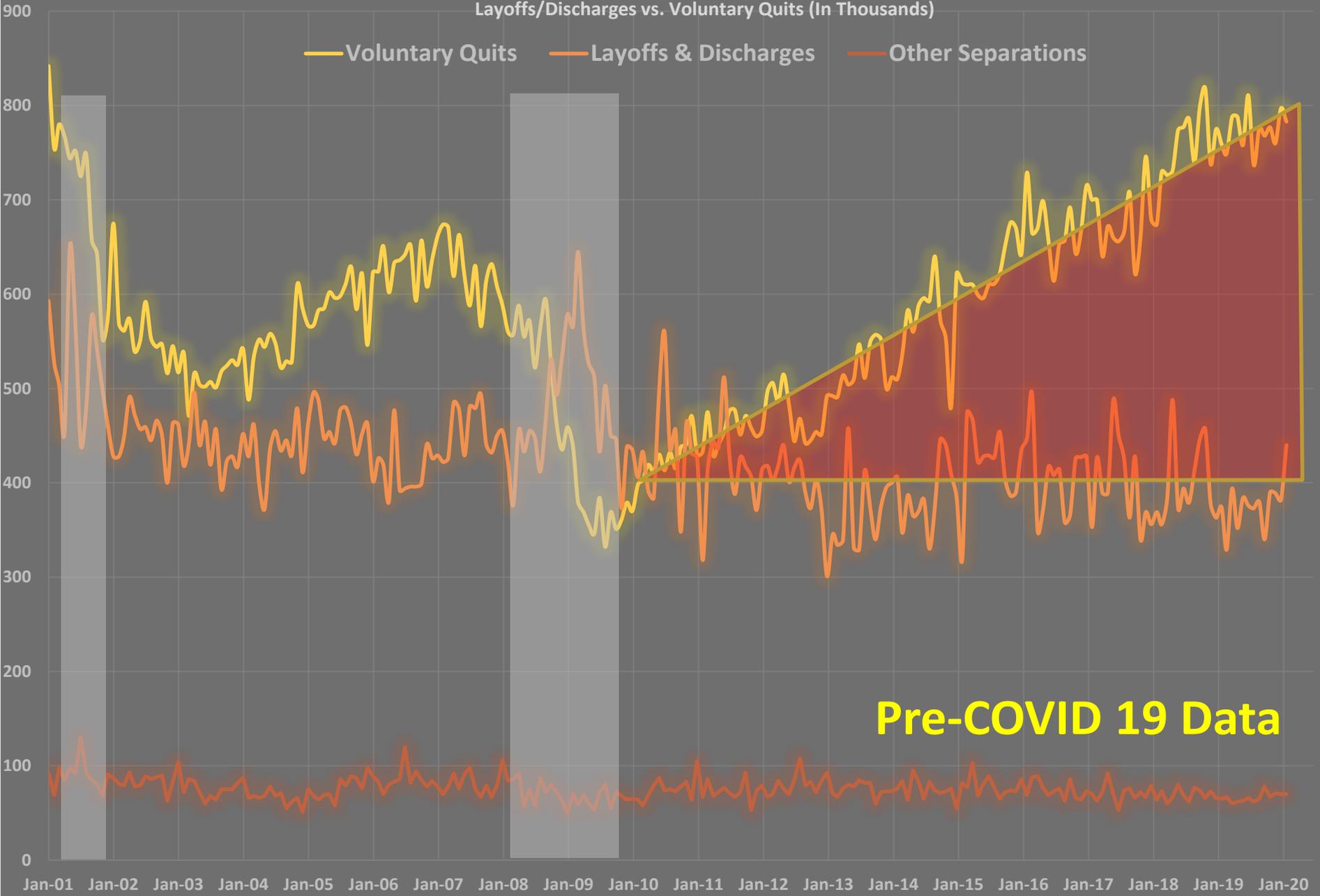
“Lives and livelihoods: Assessing the near-term impact of COVID-19 on US workers” (McKinsey), May 5, 2020, <https://tinyurl.com/yyI9esgn>



Bureau of Labor Statistics: Job Openings and Labor Turnover Survey  
(Midwest Data - Seasonally Adjusted)

Layoffs/Discharges vs. Voluntary Quits (In Thousands)

— Voluntary Quits — Layoffs & Discharges — Other Separations

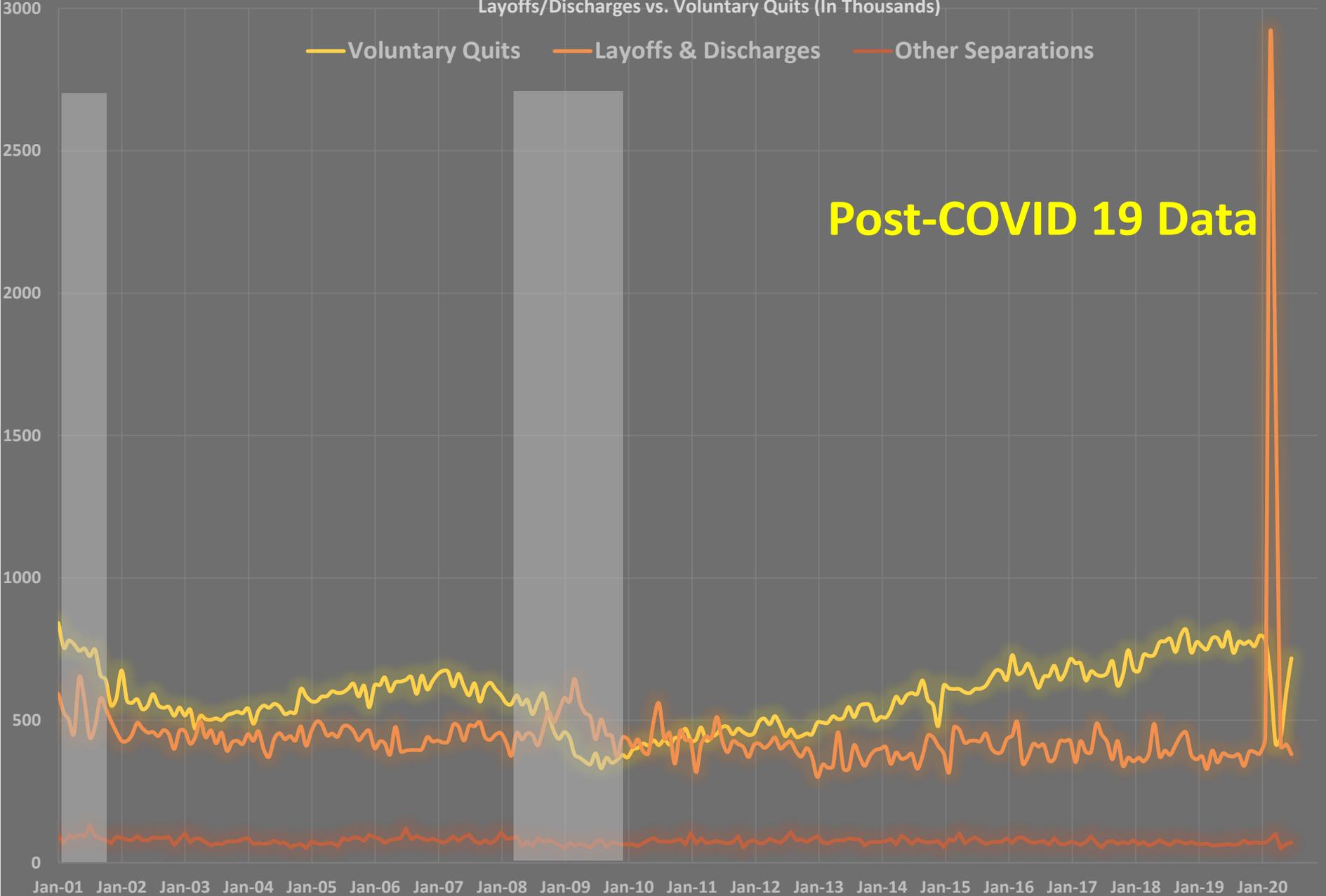


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Layoffs/Discharges vs. Voluntary Quits (In Thousands)

Voluntary Quits Layoffs & Discharges Other Separations

Post-COVID 19 Data



# Measuring Employer & Employee Confidence in the Economy

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“What do these statistics tell us about employer and employee confidence in the U.S. economy? Quits tend to rise during an economic expansion and fall during an economic contraction. Therefore, quits can serve as a measure of workers’ willingness or ability to leave their jobs. Conversely, layoffs and discharges tend to fall during an economic expansion and rise during an economic contraction.”

Kimberly Riley, “Measuring Employer And Employee Confidence In The Economy: The Quits-to-Layoffs-and-Discharges Ratio,” Beyond the Numbers: Employment & Unemployment , vol. 7, no. 3 (U.S. Bureau of Labor Statistics, March 2018)

# TOTAL REWARDS

**Compensation**

Internal Equity

External Competitiveness

Formal Systems

**Benefits**

Costs

Compliance

Creating Efficiencies

**Employee Experience**

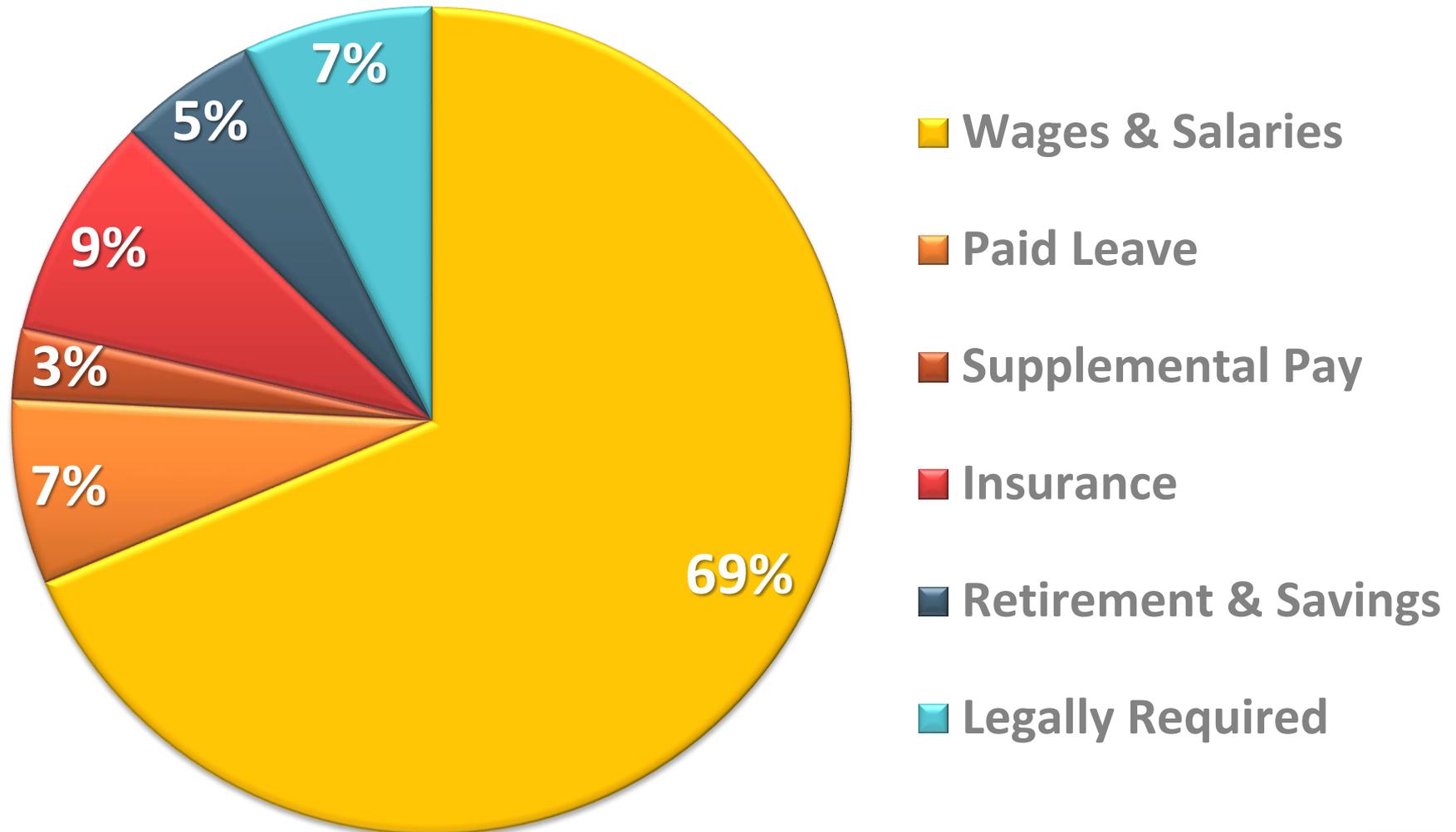
Employee Engagement

Performance Management

Talent Development

# SLICING THE TOTAL REWARDS PIE

## Employer Costs for Employee Compensation



Source: <https://www.bls.gov/news.release/ecec.toc.htm>

# 2020/21 Upper Midwest Salary Planning Survey

# SALARY PLANNING QUESTIONS

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- **Wage Structure**
- **Payroll Budget (private sector only)**
- **Employee Groups**
  - Non-exempt
  - Union Positions
    - (General, Fire, Police, Transit, Teachers)
  - Exempt
  - Executive
- **Actual 2020 and Projected 2021**
- **Total Rewards Trends**
- **COVID Impact**



## WHY DO WE CONDUCT THIS SURVEY?

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**To better serve  
our clients &  
prospects**

**To measure  
regional and  
state trends**

**To use in  
conjunction  
with other  
salary trend  
surveys**

## METHODOLOGY & RESPONSES: QUICK FACTS

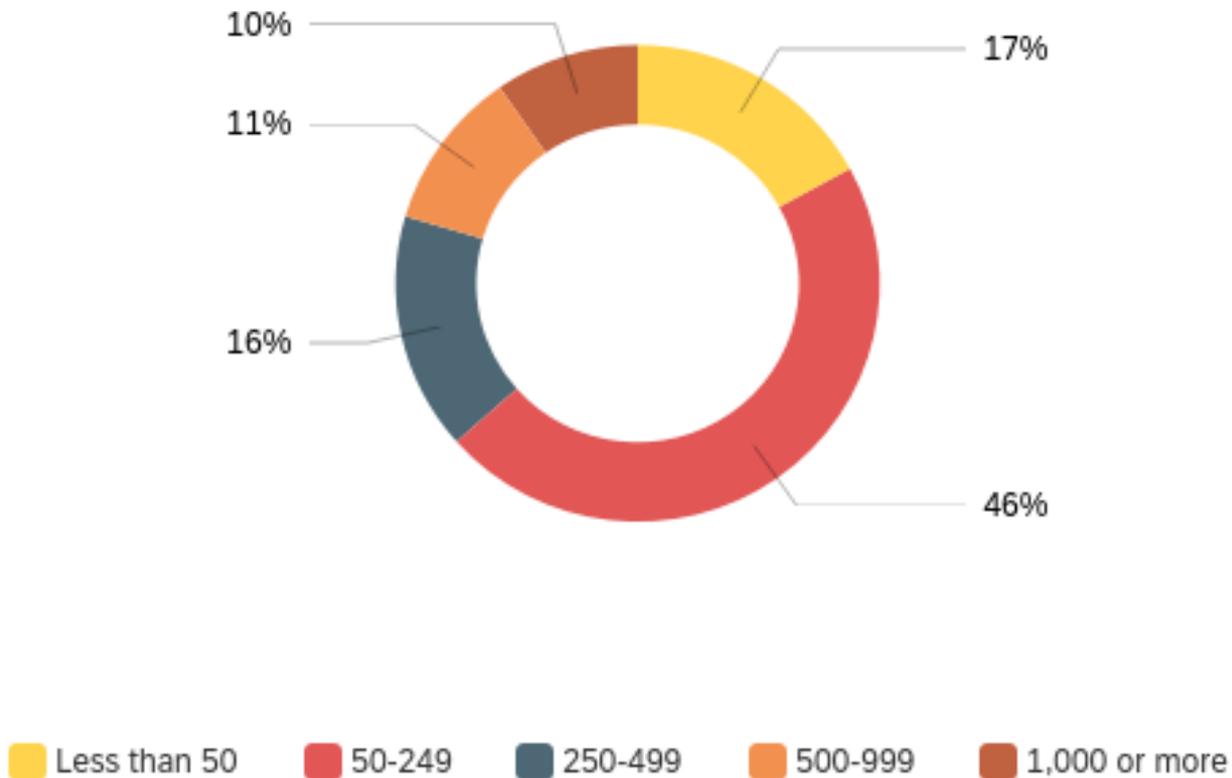
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- Survey open for participation: June 17 – August 27
- 435 valid responses
  - 52% Private Sector / 48% Public Sector
- Solicited participation via email campaigns and social media
  - Past participants
  - Clients and prospects
  - LinkedIn announcements and targeted ads

## RESPONDENT PROFILE: EMPLOYER SIZE

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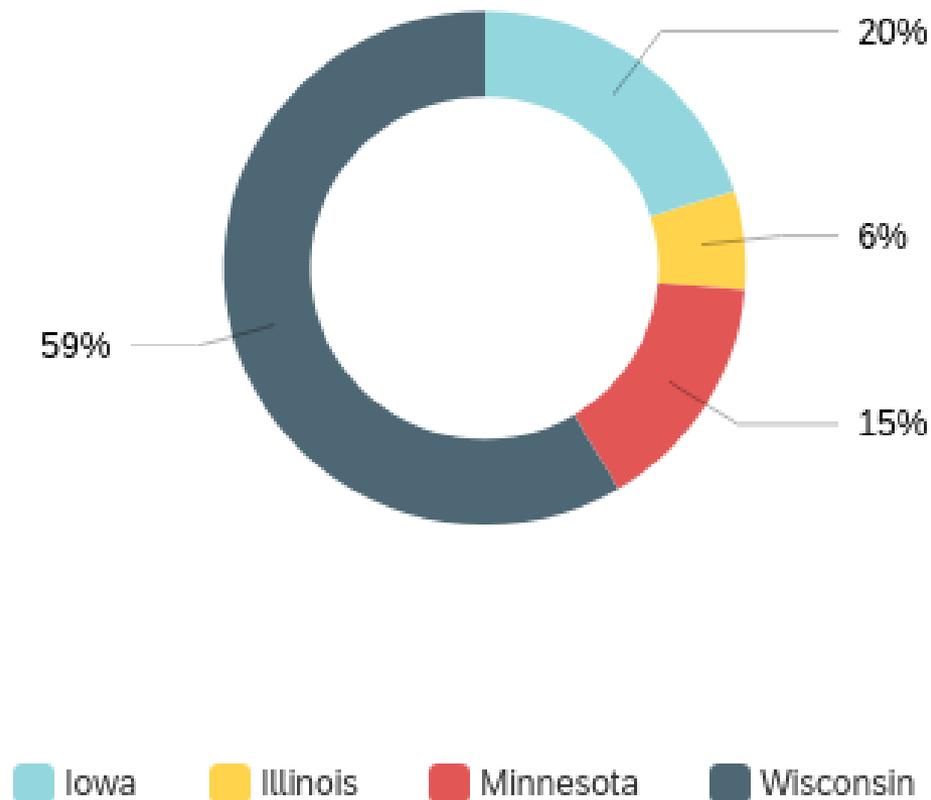
80% of respondents were employers with 500 employees or less, with the majority in the 50-249 range.



## STATE PARTICIPATION

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Almost 60% of participants were from Wisconsin. However, we saw growth in participation from the other three states in 2020 compared to previous years.



# COVID Response and Impacts

## OVERALL COVID IMPACT ON 2020 INCREASES

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**Over 80% reported no impact from COVID on 2020 increases. This likely reflects that the majority of pay increases were given in Q1, and prior to the full impact of the pandemic.**

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No change - already implemented prior to pandemic	<b>52%</b>
No change - implementing approved raises as planned	<b>29%</b>
Delayed implementation	<b>8%</b>
No longer planning on implementing	<b>7%</b>
Reduced the amount	<b>4%</b>
Increased the amount	<b>1%</b>

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## OVERALL COVID IMPACT ON 2021 INCREASES

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Almost half of respondents are delaying their decision until later in the year. *“Sitting on the fence”* is consistent with other recently published salary planning surveys.

The 2021 picture looks markedly different, with 30% indicating no impact and 23% reporting reductions or no increases.

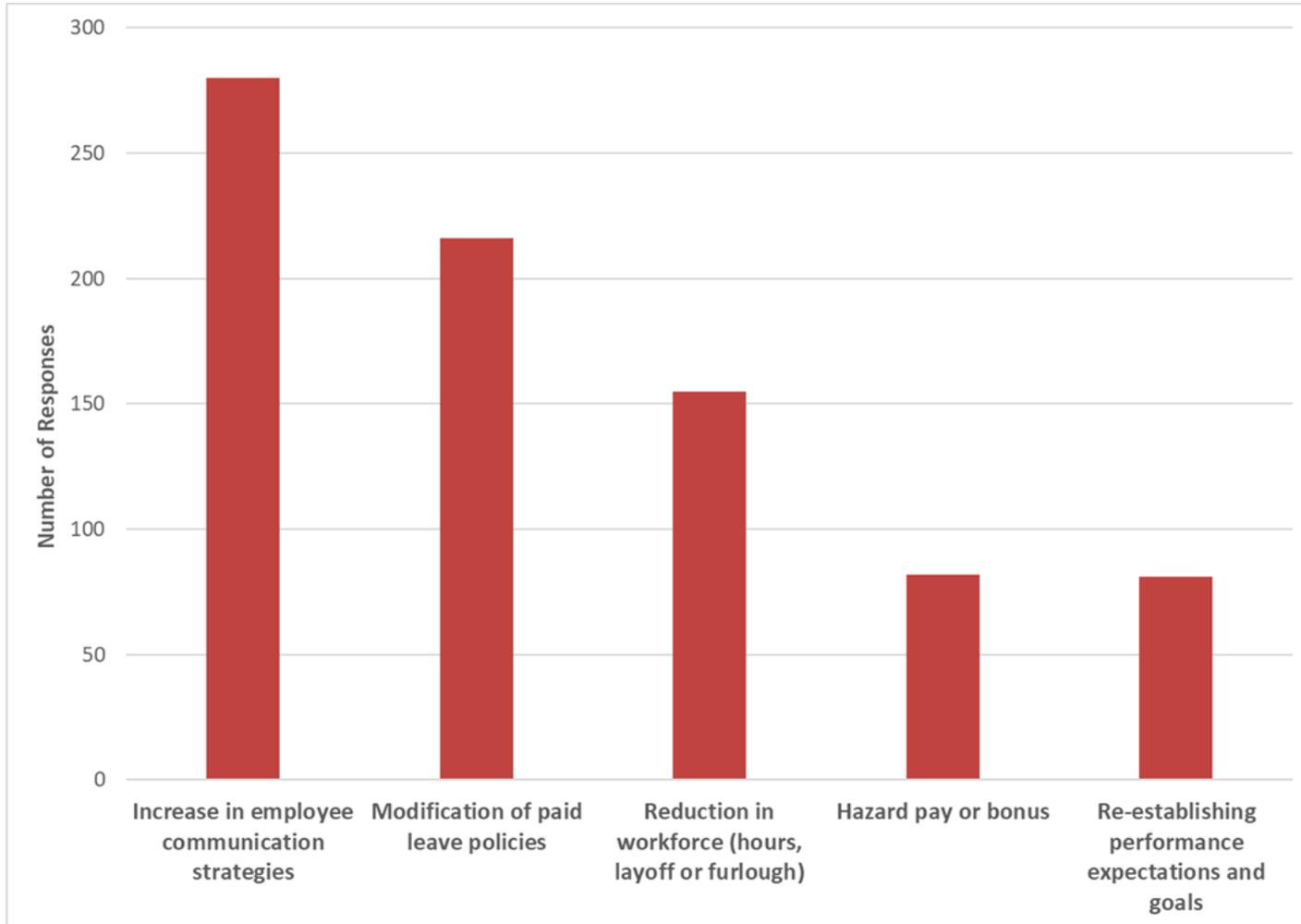
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Delaying decision until financial impact of pandemic is determined	46%
No impact	30%
Will be reduced compared with prior years	17%
Will not be given	6%
Will be higher	1%

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# TOP TOTAL REWARDS COVID RESPONSES

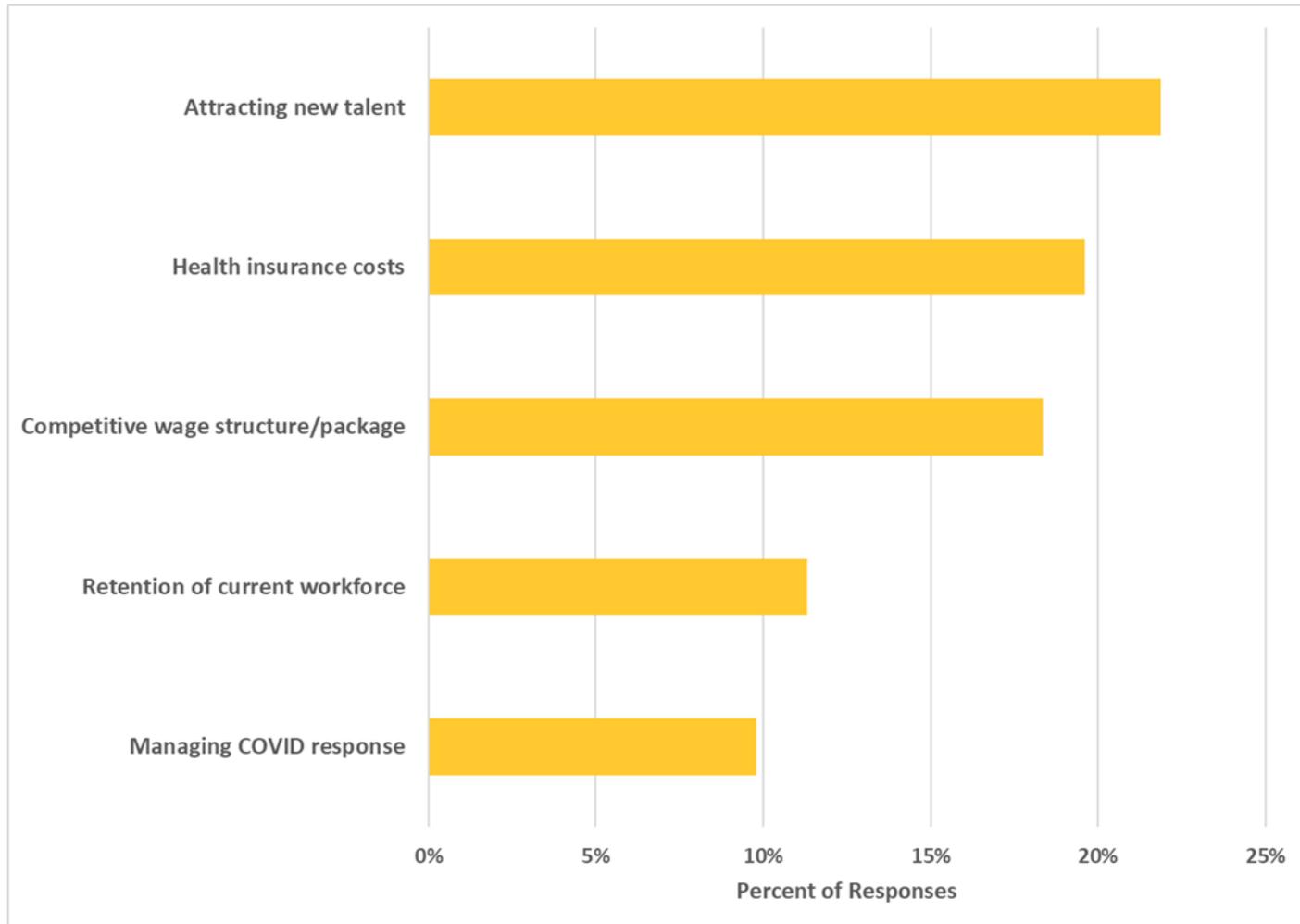
“Please identify up to five ways that your organization responded to the COVID pandemic as it relates to Total Rewards.”



# TOP TOTAL REWARDS CONCERNS

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**Attracting new talent** continues to be a Total Rewards top concern, as well as **health insurance costs** and a **competitive wage structure**.



# Overall Results

# BUDGET VS STRUCTURE

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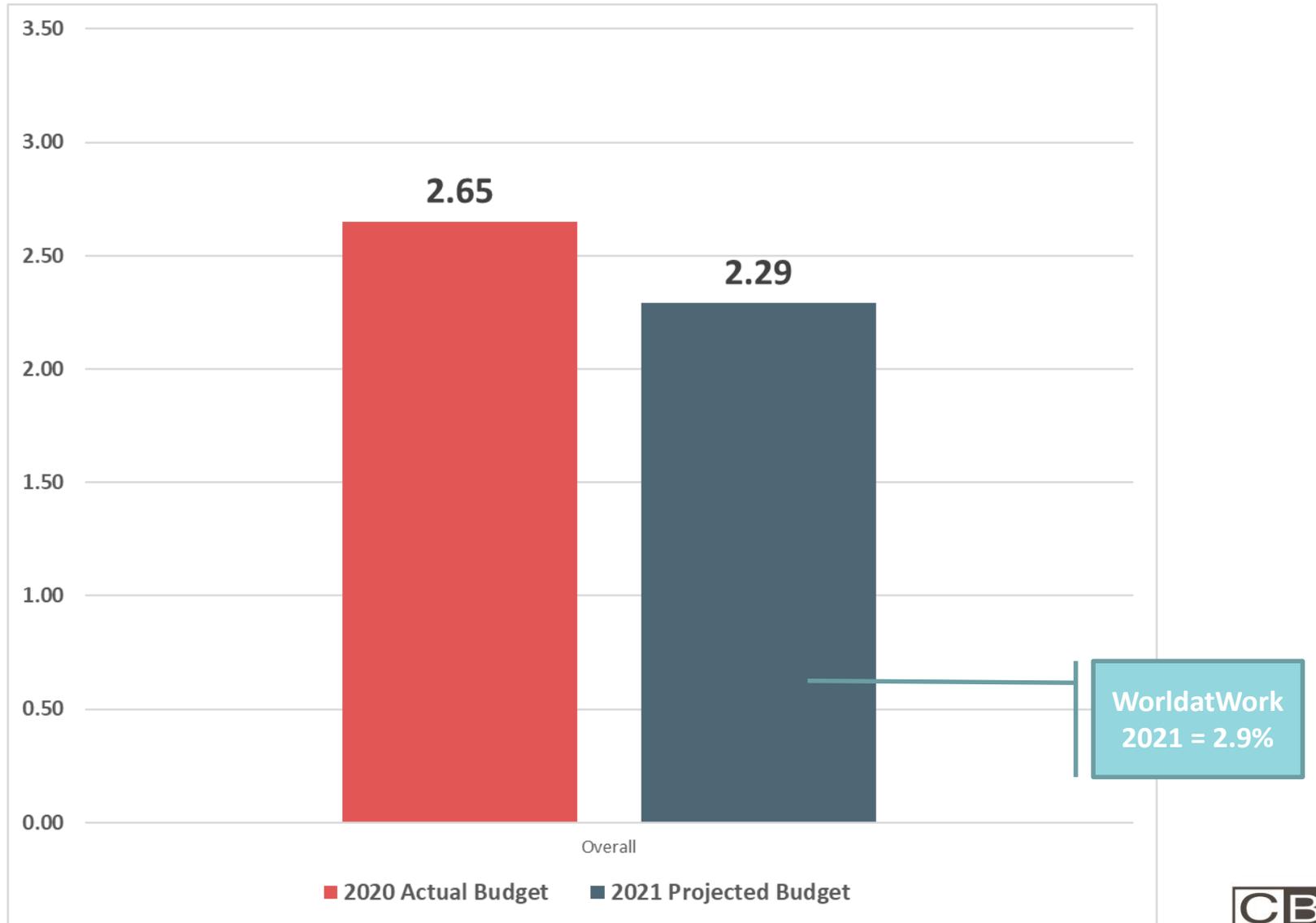
## **Payroll/Salary Budget Change**

- The total “pool” of money allocated/budgeted by an organization for the payment of salaries and wages during a fiscal year, or some other similar period. The salary budget not only includes any “structural changes” (*see below*), but also any individual adjustments awarded to employees (e.g. performance, market, compression, etc.).

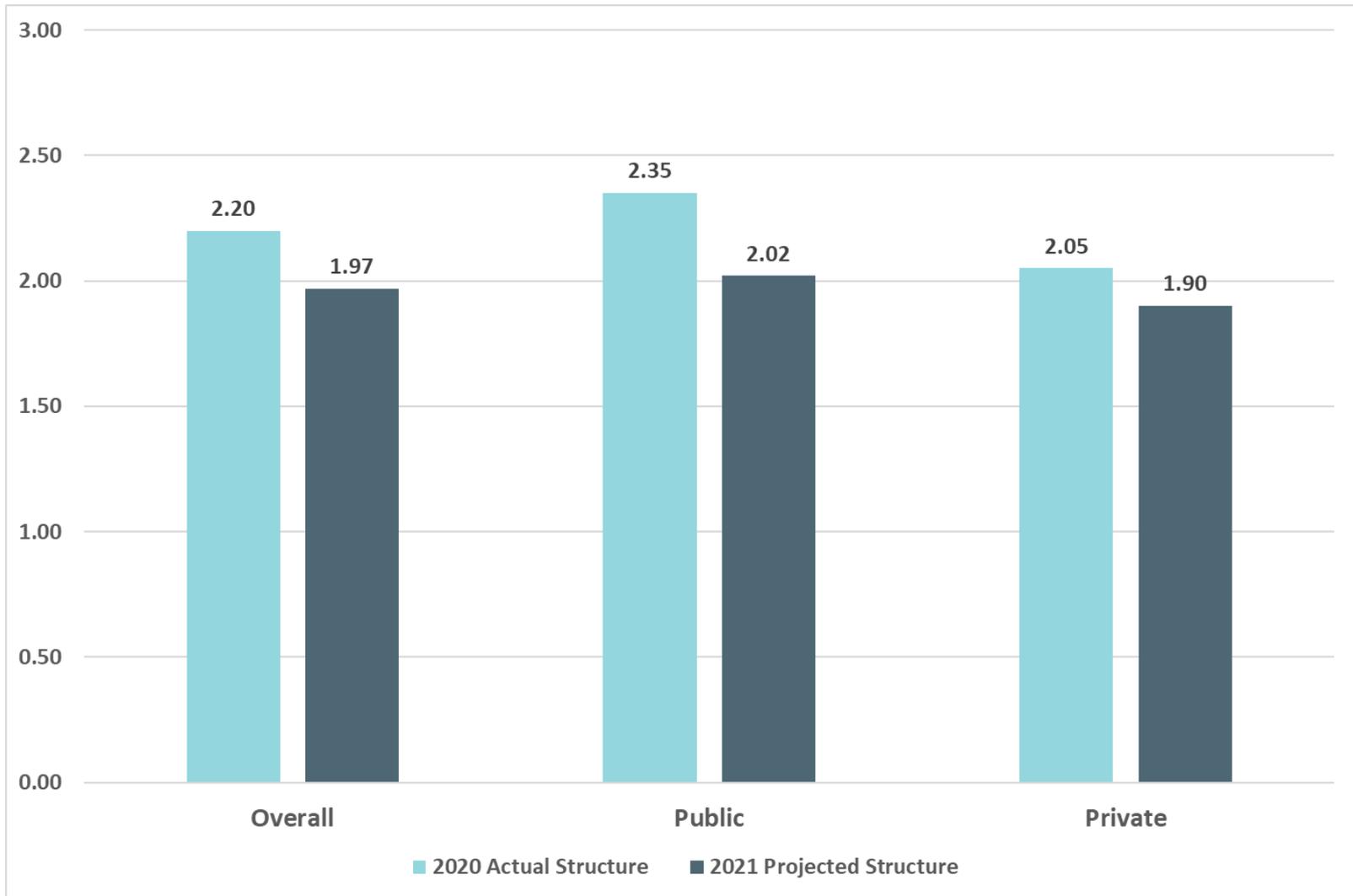
## **Salary Structure Change**

- An organization’s adjustment of either a formal salary structure, or individual rates, by a set amount (percentage, cents-per-hour, etc.) to allow the organization’s pay structure to remain competitive with some measure of inflation (aka cost-of-living, CPI, cost-of-labor, market movement, etc.).

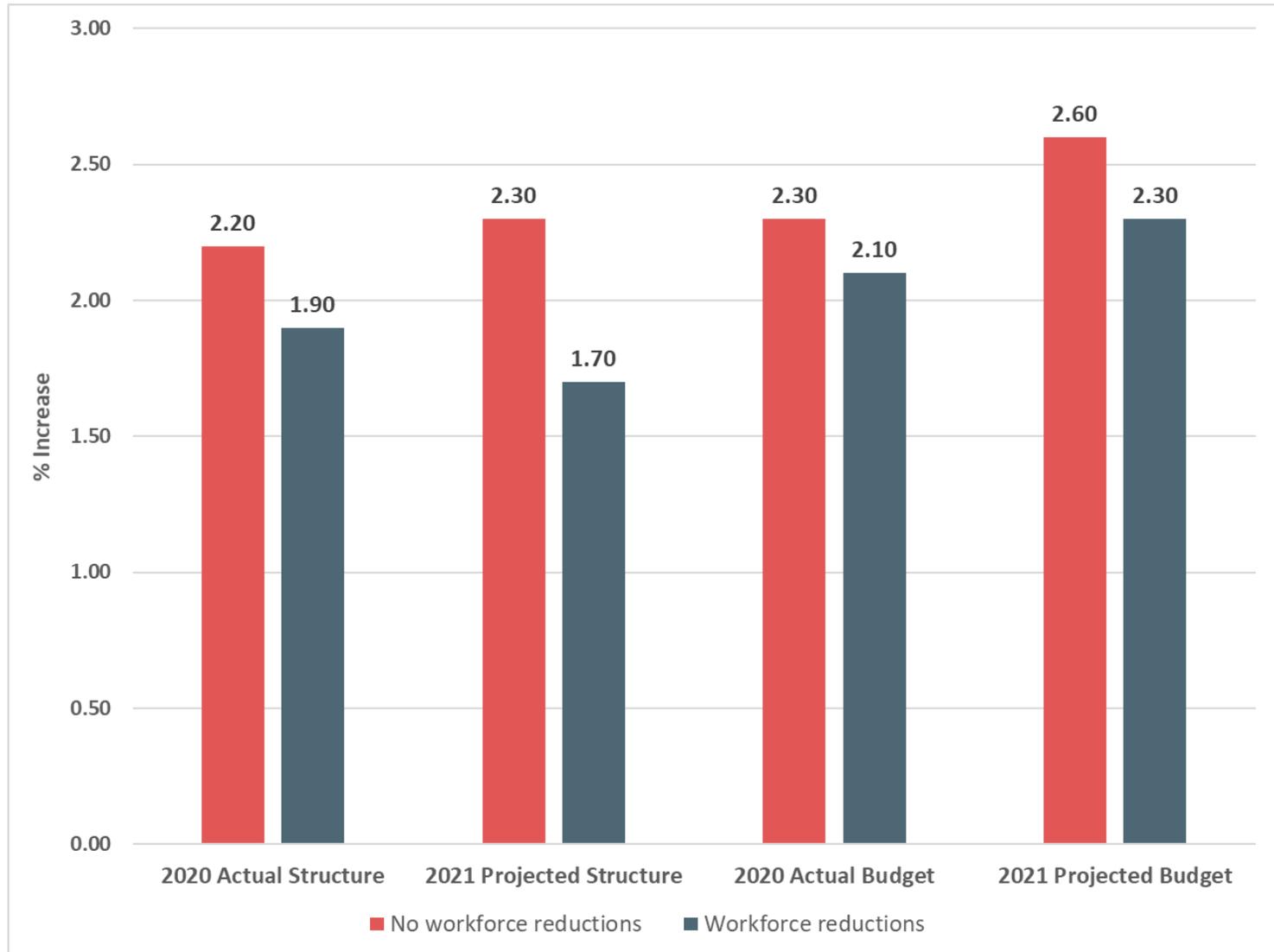
# OVERALL PAYROLL BUDGET INCREASES – PRIVATE SECTOR ONLY



# OVERALL STRUCTURAL INCREASES



# WORKFORCE REDUCTIONS: IMPACT ON SALARY PLANNING



# Considerations

## WHY A TRUSTED TOTAL REWARDS ADVISOR?

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### Strategy

- Identify & Resolve Strategic Elements

### Expertise

- Depth & Breadth of Knowledge

### Independence

- Removed From Internal Politics

### Access to Data

- Reliable (But Expensive) Data Sources

### Unbiased

- Not Vested In Promoting Any Agenda

### Metric-Focused

- Focused on Measuring the Right Things

### Comprehensive

- Balancing Internal & External Pressures

# WHY COMPENSATION STILL MATTERS: INTERNAL EQUITY

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## Challenges

- Push for Transparency & Equity
- Concerns about Hierarchy
  - Positions in same/different departments comparing to one another
- Salary Compression
  - Supervisor vs. subordinate, new vs. experienced employee, etc.

## Opportunities

- Developing strategies to address these issues of equity and fairness can favorably impact an organization's culture.
- Formal tools for evaluating a job's placement in an organization can provide legal defensibility and a more effective manner of sorting an organization's hierarchy.

# WHY COMPENSATION STILL MATTERS: MARKETPLACE

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## Challenges

- Turnover / Retention
- Competitive Marketplace
- “Hot Jobs”
- “COVID Recession”

## Opportunities

- Facing unique challenges requires unique responses.
- While the current recession is a short-term (but important) concern, the labor challenges are long-term.
- Organizations desiring to rebound quickly need to start planning now.

# WHY COMPENSATION STILL MATTERS: GENERATIONAL SHIFT

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## Challenges

- Inevitable exit of some of the Baby Boomers generation, although the recession may delay the planned exits for some workers
- Generation X (born in 1965“ish”) is also beginning to see retirement on the horizon, but being eligible to retire and being able to retire are two different matters.
- Newer generations have different ideas about compensation, rewards, and the workplace in general.

## Opportunities

- Maintaining competitive structures ensures that recruitment efforts produce qualified talent, especially for key roles.
- Reviewing the “total rewards” offerings allows an organization to maintain relevancy with its workforce.

# WHY COMPENSATION STILL MATTERS: ORGANIZATIONAL RESTRUCTURING

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## Challenges

- Layoffs, Reductions in Force, Hiring Freezes, Etc.
- Reallocation of Staff, Combining of Positions

## Opportunities

- As a workforce becomes smaller, but the expectations (and workload) remain high, the remaining employees often expect and demand more competitive salaries.
- An organization's hierarchy can be effectively managed with the use of a job evaluation tool.
- Aligning the new/revised jobs with the market may also be necessary.

# WHY COMPENSATION STILL MATTERS: EMPLOYEE REWARDS

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## Challenges

- Performance still matters and, arguably, matters even more in difficult times.
- Organizations are finding themselves with limited financial and human resources

## Opportunities

- A strategic approach to compensation/rewards allows for a more intelligent allocation of an organization's limited financial resources.
- High-level analyses—such as the 3C's or TRA—can highlight opportunities for savings
- Such an approach may also allow an organization to reward its employees in a different “currency”.

# WHY COMPENSATION STILL MATTERS: REALITIES OF RECESSIONS

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## Challenges

- Wages rarely go down during recessionary periods (at least on a permanent basis).
  - Temporary wage cuts may occur, but most wages post-recession start their climb from the point they were at pre-recession.
  - Compensation add-ons are typically cut before wages (e.g. 401k contributions, profit sharing, etc.)
- New recession = new compensation challenges
  - Hazard pay, remote work, geographic pay, etc.

## Opportunities

- Future wage growth might be (and often is) slowed down until the organization recovers from the economic downturn.
  - Top raises reserved for top performers
- When the economy rebounds, the competition for talent will quickly resume with new rules and expectations.

# KEY TAKEAWAYS / RECOMMENDATIONS

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## **Wage Increases Continue to be Part of the Conversation**

- The timing, size, and method of the increases is open for debate.
- Most increases will be lower than previous years
- Almost half of the respondents are still “on the fence” and is looking for guidance and recovery.

## **Compensation/Rewards is a Multi-Faceted Dilemma**

- There are many levers to pull in managing total rewards and a combination of strategy and trusted advisors will allow for easier navigation.

## **Talent Management is Directly Related to Compensation/Rewards**

- The gap between top-performers and low-performers is often widened during troubled times.
- With limited resources, tough pay/rewards decisions are necessary.

## **In Troubled Times, Employees Crave Safety, Security, and Stability**

- Total rewards issues—which were important before COVID—still matter, even with smaller staffing & budgets.
- Wild/dramatic actions, inconsistent practices, or lack of communication will certainly have an effect on culture/engagement.

## MORE INFORMATION: UPCOMING TOTAL REWARDS WEBINARS

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### **Beyond the Paycheck – Keeping your Employees Engaged**

- September 23, 2020
- While the current pandemic and economic situation cause organizations unease, employees are turning to their employers looking for stability. It's important for organizations to ensure that their communication is clear and intentional keeping the employee experience aligned with their organizational objectives. Join us as we discuss how to keep your staff engaged and communication effective through these challenging times.
  - <https://tinyurl.com/y6soqdlz>

### **Compensation Solutions in Economic Downturn**

- September 30, 2020
- With the current economic state, compensation is going to be challenging as we head into 2021. Join us to discuss a few different aspects of pay such as base pay, incentive pay, and performance-based pay.
  - <https://tinyurl.com/y536dhyr>

QUESTIONS?