



Now what? Compensation management in a volatile talent market

The world has begun to envision a world beyond COVID-19. While some expect to go back to business as usual, others have used this time to completely reimagine the possibilities. As a result, the market for talent is changing in ways that no one can fully predict.

Some people who held onto their jobs during the pandemic may be looking to make a change, some sectors will take longer to recover than others, and some companies will experience huge talent shortages. Now that we've experienced a primarily remote world of work, telecommuting and geography-independent roles will become increasingly common and expected by top talent.

These trends suggest that the competitive environment, both for customers and talent, will only become more intense. Now is the time for businesses to take proactive steps to prepare for an increasingly volatile environment by modernizing their tools and processes. In this article, we'll share best practices for managing talent and compensation during periods of volatility.

The current talent market

After widespread layoffs in response to the pandemic, companies may now be experiencing a talent shortage. However, despite the need for more employees, budgets are tight, and many businesses are still recovering from early losses. Further, employees who have continued working throughout the pandemic are experiencing major burnout. In fact, a recent study by Glint reveals that [burnout reached a two-year high](#) in August with no sign of slowing down.

A [recent McKinsey survey](#) revealed that more than 80% of respondents said the crisis is materially affecting their daily work lives. With a talent shortage and rising burnout, employee retention is more critical than ever. It is expensive to replace an existing employee, so now is the time to make smarter talent and budget decisions.

What candidates want

During the past several months, individuals have had to reevaluate what's important to them both at work and in life. Flexibility, development, and a sense of purpose have all become increasingly important to job-seekers. A [recent FlexJobs survey](#) reveals that 65% of respondents want to be full-time remote, and 31% want a hybrid remote work environment.

In fact, 27% of workers say that the ability to work from home is so important to them that they are willing to take a 10% to 20% pay cut to work remotely. Further, 81% say they would be more loyal to their employer if they had flexible work options. This shows that holistic wellbeing has become increasingly important to employees, and salary is not the sole consideration for candidates, especially in periods of uncertainty.

Managing compensation amidst volatility

In these uncertain times, it can be difficult to determine the best approach for compensation planning. Beyond whether to hire or not, the new year raises questions around performance reviews, open enrollment, and as a result compensation. As we move into the new year, consider the following approaches to successfully manage compensation in a volatile talent market:

Broaden your horizons

A global approach to talent is not only in demand by employees, but it can also benefit companies in a myriad of ways. Not only will it broaden your talent pool but it can also enable compensation at various costs of living. Companies may need to balance equity within teams and functions against variances in local markets, and a one size fits all approach is not ideal. Instead, it's better to empower managers with the tools and data to make individual compensation decisions more effectively. While this may seem difficult to manage, tools like [Compright](#) can dramatically reduce the overhead and complexity.

Avoid reactivity

Things have already changed so much, and simply reacting will not set you up for a reliable future and can have a ripple effect throughout the entire organization. On one hand, budget challenges may impact the typical compensation review cycle at a time when many employees have been through the wringer. On the other hand, moving higher in market position or generating too many promotions create budget challenges in the future. It's important to consider the long-term impact of any short-term decisions and identify areas of low-risk and notable impact.

Focus on building or repairing trust

Depending on how your organization responded to the pandemic, your employee morale and employer brand may need attention. Listen to your employees to understand their experience during the pandemic. Find out what worked, what didn't, and what would have the most impact on their engagement in the coming months. This should guide your budget allocation and can help you round out your compensation strategy with meaningful perks.

Identify areas of impact

With limited budget amidst uncertainty, understand where your efforts will have the greatest impact. If your employees are feeling burned out and understaffed, hiring might be the answer. More flexibility could also provide a meaningful and low-cost solution. If employees are experiencing stress or depression, you might highlight existing wellbeing benefits within your benefits package. Alternatively, employees may simply want to be compensated for their hard work over the past year, and it may be time for a performance-based raise or bonus.

Get the right tools

One of the biggest barriers to employee engagement is visibility, particularly as it relates to compensation. If employees can't see or understand how their company is supporting them, then they are more prone to disengagement and ultimately churn. As we all adapt it's important to have the tools in place to handle this with ease. Fortunately, the evolution of modern, cloud-based software makes this easier than ever. Organizations can augment their core HR platform with specialized tools optimized for specific outcomes. Examples include Compright for compensation, but also solutions like [15Five](#) for performance optimization, [JazzHR](#) for more effective hiring, and [Payfactors](#) for market data.

Looking forward

As we move into the next phase of the pandemic, adaptability is key. No one can fully know what to expect for the future of work, but listening to your workforce will help guide you to the most impactful decisions. However, without the right tools in place, it can be challenging to execute amidst these changes. Now is the time to invest in the right [processes and tools](#) to set your organization up for success in the coming months.