NAVIGATING COMPENSATION IN A CHANGING WORLD

The perilous storms of 2020 have left many navigating unchartered waters, but insights from PayScale's best practices survey can be your compass to smoother sailing.
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Compensation Strategy is Your Compass in a Changing Sea

2020 was a year of unexpected and unprecedented challenges. Human Resources had a difficult job before the pandemic but have had to rise to the occasion and demonstrate agility and leadership in 2020. The arrival of COVID-19 caused unemployment to skyrocket to levels not seen since the Great Depression and organizations have had to scramble to enable employees to work from home or ensure that work environments are safe.

And that was just the first quarter of a year that sustained near-constant upheaval. Understandably, many organizations feel like they have survived a storm but are now a little lost at sea.

So… what does it all mean for compensation going forward?

Given everything else that is going on, the impact to compensation strategy may seem like a small question, but to people who have managed to hold onto their jobs and those desperately searching for employment, it’s a question of enormous importance and motivation.

During the last recession, real wage growth flattened. For people on the bottom of the pay scale, it never recovered, even after corporate profits surged. Now we are in another recession. When it comes to wages, the working class has suffered the most, and during the pandemic, women have suffered in particular.

If we follow precedent, wages will flatten again, and income inequality will deepen. Increasing wealth gaps can lead to economic volatility and social unrest.

The collective impact of 2020 — COVID-19 workplace safety, the recession, remote work, increased attention on social justice and diversity, equity and inclusion, political tension, etc. — could result in a sea change when it comes to expectations for employers. This transformation impacts how employees are compensated and valued and what is needed to motivate workers.

This year, PayScale’s Compensation Best Practices Report provides insights on employer response to COVID-19 (pay cuts, pay freezes, hiring, turnover, etc.) as well as the usual business of comp: base pay increases, variable pay, compensation strategy, and pay communications.

Overall, 2020 was a difficult year. 2021 doesn’t look much better for budgets but will be a pivotal year for compensation strategy to help pave the way toward pay equity, improved pay transparency, and overall employee engagement and performance.

HR leaders are at the helm. With pay strategy as a compass, a compensation plan informed by salary data as a map, and technology as a vessel, organizations will be well equipped to find their true north, harness the wind, and voyage to new destinations.

EXECUTIVE SUMMARY
The 2021 Compensation Best Practices Survey comprises over 5,000 respondents gathered from November 2020 to January 2021.
**COVID-19 Response**

The financial impact of the pandemic has been uneven, with 44.9 percent of organizations seeing a negative impact to revenue, 25.3 percent seeing positive impact to revenue, and 29.8 percent saying that COVID-19 had no substantial impact. Most organizations did not make any changes to pay during 2020, but overall 27.0 percent issued pay cuts and 32.7 percent pay freezes. Besides pay, 25.4 percent have seen an increase in turnover.

**Base Pay Increases**

The recession has caused a drop in the percentage of organizations giving base pay increases — close to 20 percent both in 2020 and planned for 2021. For organizations still giving base pay increases, the average percentage increase has not changed much, with a majority of organizations citing 3 percent or less. Top performing organizations — those that exceeded revenue goals — are more likely to give more and be less undecided about 2021.

**Variable Pay**

The difference in total cash compensation is not being made up by bonuses. Organizations that offer variable pay have dropped from 73.1 percent to 69.6 percent between 2019 and 2020. Organizations largely do not plan to change their bonus plan in 2021 (45.5 percent). Those that do are split along reducing their budget (14.5 percent) versus enlarging it (11.4 percent).

**Compensation Strategy**

Although investment in base pay increases for employees is shrinking, focus on compensation strategy is growing. Organizations that say they either have a compensation philosophy or are working on one have grown by 6 percent since last year to 75.6 percent in total. Every year, more organizations are investing in paid data sources. In addition, a majority of organizations (65.3 percent) said that changing their approach to compensation is important over the next 12-18 months. However, 29.6 percent are not ready to make those changes.

**Remote Work**

Remote work is on the rise and will likely remain a hot benefit to employees after the pandemic ends. Organizations are not yet decided on how remote work is going to impact pay. Only 11.3 percent have a pay strategy specific to remote work. Another 10.6 percent say they are working on one for 2021. Currently, 50.4 percent of organizations do not think remote work will impact their talent strategy. Most are undecided about whether they will need to re-benchmark jobs. A minority of organizations are investing in stipends to assist employees working from home.

**Pay Equity**

Racial justice was an important topic in 2020 and has spurned increased focus on diversity, equity, and inclusion (DEI) in 2021, with 8 percent more organizations pledging to conduct pay equity analysis (46.2 percent overall) compared to 38.2 percent last year. Employees have leverage when it comes to pushing for pay equity too, as 80.4 percent of employers say that they care more about paying employees fairly to foster engagement and retention than paying employees less to optimize payroll.

**Pay Communications**

Compensation strategy doesn't have as much of an impact when employees aren't educated on the rationale for how they are paid and how to get to the next step. Unfortunately, 57.8 percent of organizations do not provide manager training on pay communications. Although most organizations want to be more transparent, only a slim majority of 51.7 percent say that employees know how to move up in their career path.

**The Future of Comp**

For the first time in nearly a decade, the scarcity of talent in the market is not one of HR's top concerns. In 2021, organizations are challenged by safety in the workplace, managing performance in a tough economy, and keeping employees engaged in challenging circumstances. Focus on diversity, equity, and inclusion is also a top priority. Less of a concern is the impact of AI/Automation. In terms of compensation-specific activities, developing or revising comp structures and improving pay communications and transparency top the list of priorities.
Summary | COVID-19 made waves in nearly every sector of our economy and labor market. Most organizations did not have recession or pandemic planning before 2020. Organizations experienced mixed impact on revenue and certain industries have been disproportionately affected by the crisis. Although most organizations did not issue pay cuts or make other changes to pay in 2020, compensation saw more upheaval than in most years. The good news is that fewer plan to continue pay impacts in 2021. The insights gained from this past tumultuous year will help HR navigate their organizations out of the storm.

Financial Impact

The economic ramifications of the COVID-19 pandemic are mixed. Overall, a little under half of organizations (44.9 percent) said that by the end of 2020, COVID-19 would have a negative financial impact on their organization. A majority of organizations (55.1 percent) either reported that COVID-19 would have no substantial impact or a positive impact by the end of 2020. These break out to 29.8 percent and 25.3 percent respectively.

By industry, Food, Beverage & Hospitality was the hardest hit with 65.9 percent of respondents in this sector reporting a negative revenue impact. Other industries to suffer a negative financial impact include Education (57.9 percent), Arts, Entertainment & Recreation (57.5 percent), Health Care and Social Assistance (55.3 percent), and Manufacturing (52.3 percent).

One industry that stood out for having a mixed response is Retail & Customer Service, where a slight majority of respondents (51.0 percent) reported a positive impact on finances from COVID-19. While consumer spending may have decreased for many brick and mortar stores due to social distancing, retailers also include essential services like grocery stores which saw dramatic increases in business. In addition, many retailers shifted their business models to online shopping, finding an edge with stay-at-home consumerism.
We asked our respondents whether their organization had recession or pandemic planning before 2020. Overall, most organizations reported they had neither, with 74.3 percent saying they did not have any recession planning and 86.1 percent saying they did not have pandemic planning. Top performers — organizations that exceeded revenue in 2020 — were more likely to have both recession planning (30.3 percent) and pandemic planning (16.3 percent) than non-top performing organizations. Preparedness also increases with company size; the largest organizations had the highest percentage of recession planning across the board.
Hiring

Most organizations reported changes to hiring practices in 2020 as a result of COVID-19. Only 35.5 percent of respondents reported that their organization's hiring remained the same.

A quarter of organizations (25.0 percent) reported that hiring decreased or froze, 19.5 percent that hiring initially decreased or froze then increased, and 18.0 percent that hiring increased.

Increased hiring was highest for the Health Care and Social Assistance industry at 25.6 percent. Hiring decreased or froze the most for Arts, Entertainment & Recreation (53.7 percent), Education (46.6 percent), the Food and Beverage industry (40.7 percent), and Government (36.2 percent). These industries had significant challenges navigating the pandemic — following the cyclical ups and downs of COVID-19, consumer behaviors, and local mandates for social distancing.
Turnover

During a recession, loss of talent in key functional areas can wreak havoc on business outcomes that would otherwise buffer economic fallout. As a result of COVID-19, a quarter of organizations (25.4 percent) say that turnover increased while a majority said that turnover remained unchanged or decreased (60.2 percent).

Higher turnover was more prevalent in industries with essential workers or greater instability. Health Care and Social Assistance had the highest rate of reported turnover increase at 42.7 percent, probably due to essential workers experiencing higher stress and higher than average opportunity where demand for labor was surging due to the pandemic. Retail & Customer Service also has a high rate of turnover increase at 40.7 percent. The higher turnover in Retail & Customer Service may be due to high stress, the desire for better safety protocols, better pay (including hazard pay), and even the possibility to make more money on unemployment.

Among those with decreased turnover, Food, Beverage & Hospitality saw the highest rate reported (23 percent). This industry has suffered and the instability likely incentivized people to stay put. Technology and Engineering & Science sectors had the highest rates of decreased turnover, probably due to employees experiencing more satisfaction in their work due to work from home protocols, high wages, and the opportunity to solve new and important challenges.
The majority of organizations (73.0 percent) did not issue pay cuts in 2020. Historically, recessions lead to layoffs rather than a fall in nominal wages. Besides putting a damper on employee morale at a time when organizations can’t afford disengaged employees, cutting wages can lead to unproductive turnover. However, COVID-19 was an unprecedented situation, leading to more pay cuts than is typical following an economic downturn.

Organizations that did issue pay cuts in 2020 were most likely to distribute them company-wide. Ten percent of respondents reported pay cuts for all employees, followed by Executives (9.2 percent) and Highest Earners (4.5 percent).
Industries That Cut Pay Also Fared the Worst Financially

In looking at pay cuts across industries, we also took into context the financial impact to revenue. The industries least likely to cut wages include Government (13.2 percent) and Finance & Insurance (12.6 percent). Both of these industries show lesser negative impact to revenue. The industries most likely to issue pay cuts meanwhile are those that have seen greater negative financial impacts from COVID-19, which include Arts, Entertainment & Recreation (45.2 percent) and Education (40.5 percent).
Pay Freeze

Although a majority of organizations did not issue pay freezes in 2020 (67.3 percent), pay freezes were the most popular response for employers that took any action on pay in response to the pandemic. Pay freezes are less objectionable to employees than pay cuts, especially for high earners or long-tenured employees.

Similar to pay cuts, pay freezes were most likely to be applied company-wide if they were an option at all, followed by freezing pay for Executives and Highest Earners. However, the industries of Arts and Entertainment, Education, Energy and Utilities, and Government were more likely to issue pay freezes for salaried employees than executives.

Industries That Froze Pay in Context of Financial Health in 2020

- We did not issue pay freezes in 2020: 67.3%
- All employees: 21.3%
- Executives: 4.0%
- Other: 3.5%
- Highest earners: 2.9%
- Salary or exempt employees: 2.9%
- Hourly or non-exempt employees: 2.4%
- Specific departments: 2.2%
- Red-circled employees: 1.6%
Industries that Froze Pay Fared the Worst Financially

We also looked at pay freezes across industry in context of the financial impact COVID-19 had on revenue. Again, the Education sector was the most likely to issue pay freezes (57.1 percent). Agencies & Consultancies along with Arts, Entertainment & Recreation were also more likely to issue pay freezes, at 48.0 percent and 46.3 percent respectively.

Again, these industries experienced a greater financial impact to revenue than other industries. They were vulnerable to budget cuts due to cancelled or suspended projects impacted by COVID-19. Pay freezes were least likely in Finance & Insurance, where just 22.7 percent of respondents reported pay freezes and where there was less negative impact financially from COVID-19.
Hazard Pay or Temporary Increases in 2020 During COVID-19

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>All employees</td>
<td>9.2%</td>
</tr>
<tr>
<td>Warehouse workers</td>
<td>4.1%</td>
</tr>
<tr>
<td>All workers not able to work from home</td>
<td>3.9%</td>
</tr>
<tr>
<td>Healthcare practitioners &amp; technicians</td>
<td>3.8%</td>
</tr>
<tr>
<td>All hourly or non-exempt workers</td>
<td>2.6%</td>
</tr>
<tr>
<td>Cleaners &amp; custodial workers</td>
<td>2.4%</td>
</tr>
<tr>
<td>Other in-person customer service workers</td>
<td>2.2%</td>
</tr>
<tr>
<td>Front desk &amp; reception workers</td>
<td>2.2%</td>
</tr>
<tr>
<td>Drivers, transport &amp; delivery workers</td>
<td>1.8%</td>
</tr>
<tr>
<td>Cashiers &amp; store assistants</td>
<td>1.5%</td>
</tr>
<tr>
<td>Data operations, building maintenance &amp; security workers</td>
<td>1.2%</td>
</tr>
<tr>
<td>Field engineers &amp; supply chain workers</td>
<td>0.9%</td>
</tr>
<tr>
<td>Emergency response &amp; law enforcement</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

72.9% of organizations did not offer any kind of temporary increase.

Hazard Pay

Organizations that issued hazard pay to employees during COVID-19 were in the minority, with 72.9 percent of organizations not offering any kind of temporary increase. When asked to identify who received hazard pay, the largest percentage of organizations (9.2 percent) cited giving hazard pay to all employees. The next largest groups to receive hazard pay were healthcare practitioners (4.1 percent) and warehouse workers (3.8 percent).

Of organizations that offered hazard pay, most reported giving either a $2-3 per hour increase to wages or a lump sum of $500-1,000. Unfortunately, hazard pay was primarily only offered for the duration of one to four months (7.9 percent). Only 5.8 percent report that hazard pay is still ongoing.
### Kinds of Temporary Pay Increases During COVID-19

<table>
<thead>
<tr>
<th>Type of Pay Increase</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2-3 an hour</td>
<td>8.8%</td>
</tr>
<tr>
<td>A lump sum of $500-1000</td>
<td>3.1%</td>
</tr>
<tr>
<td>A lump sum of more than $1000</td>
<td>2.4%</td>
</tr>
<tr>
<td>A lump sum of $300-500</td>
<td>2.3%</td>
</tr>
<tr>
<td>A lump sum of less than $300</td>
<td>2.0%</td>
</tr>
<tr>
<td>1-4% increase in pay</td>
<td>1.8%</td>
</tr>
<tr>
<td>5-10% increase in pay</td>
<td>1.8%</td>
</tr>
<tr>
<td>$4-5 an hour</td>
<td>1.3%</td>
</tr>
<tr>
<td>$6-10 an hour</td>
<td>1.1%</td>
</tr>
<tr>
<td>11-20% increase in pay</td>
<td>0.8%</td>
</tr>
<tr>
<td>A lump sum per location for managers to divide among employees</td>
<td>0.6%</td>
</tr>
<tr>
<td>More than $10 an hour</td>
<td>0.6%</td>
</tr>
<tr>
<td>More than 20% increase in pay</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

### How Long Temporary Pay Increases Were in Effect During COVID-19

<table>
<thead>
<tr>
<th>Duration of Pay Increase</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>We did not issue a temporary increase</td>
<td>82.3%</td>
</tr>
<tr>
<td>Still ongoing</td>
<td>5.8%</td>
</tr>
<tr>
<td>3-4 months</td>
<td>4.2%</td>
</tr>
<tr>
<td>1-2 months</td>
<td>3.7%</td>
</tr>
<tr>
<td>5-6 months</td>
<td>2.0%</td>
</tr>
<tr>
<td>6 months or longer</td>
<td>1.9%</td>
</tr>
</tbody>
</table>
Industries with the Most Turnover Most Likely to Offer Hazard Pay

At the industry level, we compared which industries offered hazard pay in context of which industries experienced the most turnover. Hazard pay was most likely to be offered in Retail & Customer Service, Food, Beverage & Hospitality and the Health Care and Social Assistance sectors, which together represent industries with the most essential services as well as higher stress levels and higher rates of increased turnover. The most common pay increase in each of these industries was $2-3 per hour. Industries with the lowest rates for hazard pay include Technology, Agencies & Consultancies, and Energy & Utilities, which also corresponds to industries with lower turnover.

Impact on Pay Going into 2021

The worst appears to be over. With the distribution of a COVID-19 vaccine, we are now charting a course to end the pandemic. Although it might be a while before work returns to normal and the economy rebounds, only a small percentage of organizations are planning to continue with pay impacts in 2021. The largest portion (10.8 percent of organizations) plan on deferring pay raises, 10.4 percent plan on bonus pay reductions or cancellations, 9.1 percent plan on pay freezes, 6.3 percent plan on deferring promotions, 6.8 percent plan to continue hazard pay, 6.0 percent plan on reducing benefits, and 5.8 percent plan on continuing pay cuts.

Organizations who did not exceed their revenue goals (non-top performers) have higher rates of implementing these strategies, with the exception of offering hazard pay. The largest organizations have slightly higher rates of bonus reduction/cancellation while the smallest organizations have higher rates of pay raise deferrals.

Education continues to be among the hardest hit industries going into the new year, with some of the highest rates of pay deferrals (15.8 percent), pay cuts (14.9 percent), and pay freezes (20.8 percent) across the board. Agencies & Consultancies had the second highest rate of pay cuts planned for 2021 at 10.1 percent. Government organizations reported the highest rate of pay freezes for 2021 at 25.0 percent. Construction organizations report the highest rates of bonus reductions or cancellations, at 21 percent. Finance & Insurance stands out as being resilient amidst the pandemic economy, with the lowest rates of pay deferrals (5.4 percent), pay cuts (2.4 percent), and pay freezes (4.2 percent). Naturally, Health Care and Social Assistance organizations will have the highest rate of hazard pay at 14.2 percent going into 2021.
Summary | The percentage of organizations giving base pay increases declined in 2020 by almost 20 percent and it looks like that trend will continue into 2021. Of organizations giving pay increases at all, a majority intend to give an average base pay increase of 3 percent or less, which is not dramatically different than in previous years. Top performing organizations are more likely to give base pay increases, and to give raises for a variety of reasons. The most common reason given is to reward performance.

2020 Base Pay Increases

In this difficult year, only 63.7 percent of organizations said they gave base pay increases to employees in 2020, which is a significant drop from the 85.0 percent who planned to give raises in 2020 when asked in 2019. Base pay increases were also a strong indicator of success in 2020, with 79.9 percent of top performing organizations giving base pay increases versus 52.1 percent of non-top performing organizations. It should be noted that a majority of organizations give base pay increases in the first quarter of the year, which would have been before the pandemic impacted the economy.
The vast majority of organizations (74.3 percent) gave an average base pay increase of 3 percent or less. This is close to what organizations said they budgeted for average base pay increases in 2020. However, only 68.4 percent of top performing organizations gave 3 percent or less as an average base pay increase, indicating that higher annual increases in pay correlate to higher revenue, especially increases of more than 3 percent, which was 31.6 percent for top performing organizations vs. 22.6 percent for non-top performing organizations.

Although the average base pay increase was 3 percent or less for 2020, a majority of organizations (57.9 percent) gave 5 percent or more to their most deserving employees. However, 10.5 percent of organizations said their highest increase was less than one percent. In 2019, only 0.7 percent of organizations said their highest increase was less than one percent.

A majority of organizations (59.6 percent) said that annual increases hit payroll within the first four months of the year. However, 22.7 percent of organizations say they don’t know when increases will hit payroll.
2021 Base Pay Increases

It looks like 2021 will be similar to 2020 when it comes to base pay increases. A majority of organizations (64.2 percent) still said they plan to give base pay increases in 2021, but this is well below the percentage of organizations that predicted they would give base pay increases in previous years (usually over 80 percent). Once again, top performers are differentiated, with 76.6 percent of top performing organizations versus 55.2 percent of non-top performing organizations planning to give base pay increases in 2021.
Industries that fared better overall during the pandemic are unsurprisingly more likely to give base pay raises in 2021. Industries with more highly skilled employees are also more likely to give base pay increases, which could be a factor that leads to widening income inequality between professional and non-professional occupations when the economy rebounds.

In 2021, a smaller majority of organizations (67.2 percent) plan to give a base pay increase of 3 percent or less than in 2020. However, 13 percent of organizations remain undecided about the percentage increase they will give in 2021. Top performing organizations are slightly less likely to give base pay increases of 3 percent or less. They are also less likely to be undecided about increases in 2021.
Reasons to Increase Pay

The top reasons for giving base pay increases include performance (66.1 percent), a market adjustment (38.8 percent), retention (37.5 percent), and additional responsibilities (32.6 percent). Top performers were shown to be more likely to give base pay increases for every reason except compliance, demonstrating the importance of rewarding employees as an aspect of overall business strategy and success. Top performing organizations particularly differentiated in rewarding performance, with 74.1 percent of top performing organizations citing performance as a top reason to adjust pay compared to 60.8 percent of non-top performing organizations.

Frequency of Pay Changes

Although annual increases are still the most common at 58.0 percent, it varies by industry. Organizations with a more transient workforce are more likely to adjust pay anytime throughout the year while industries that rely on a workforce where skills are in high demand are more likely to adjust pay at least twice a year to retain talent.
Organizational Involvement in Pay Increases

The process of providing pay increases to employees is typically cross-functional and garners direct involvement from multiple people, including the C-Suite. For 75.5 percent of organizations, the CEO is directly involved in approving pay decisions. The CFO is the second most likely party to be involved with pay increase approvals (47.0 percent). Meanwhile, recommending pay decisions most typically falls to HR (61.6 percent) with involvement from functional managers or functional directors responsible for the team members in question. Functional managers are most likely to be involved with communication pay decisions (61.5 percent), assuming the organization trains on pay communications. This sharing of responsibility is important to keep in mind when it comes to compensation strategy as the shared nature of the process requires a collaborative approach and a close and trusted relationship between HR and business partners.
Summary | Providing the right mix of compensation, benefits, rewards, and perks is key to attracting, retaining, and engaging talent. In the recently tumultuous talent landscape, the strategies that worked a year ago are being critically examined across organizations. HR and compensation leaders are exploring new solutions, evaluating long held beliefs, and innovating to support both the well-being and productivity of their workforces. In 2020, most organizations reduced variable pay alongside base pay, but benefits remained steady or increased.

Variable Pay

Variable pay constitutes all cash compensation that is paid to employees above or in addition to their base pay. Variable pay includes any type of bonus, incentive pay, or sales commission that is based on performance or not guaranteed. The difference between bonuses and incentive pay is that bonuses do not have to be tied to measurable performance objectives. For example, some bonuses are given at the end of the year as a “holiday bonus” while spot bonuses can be given anytime at the discretion of management. Variable pay can be individual to the employee, team-based, or company-wide. Variable pay also includes hiring, retention, and referral bonuses as well as profit sharing. Variable pay is commonly used to reward employees for effort and impact rather than trading time for a paycheck.

Prevalence of Variable Pay

A strong majority of organizations (69.6 percent) offer some kind of variable pay to employees. Larger organizations are more likely to offer variable pay than smaller organizations, with 80.2 percent of large organizations with 5,000 or more employees offering variable pay versus 61.6 percent of small business with fewer than 100 employees.

The breakout across industry is even more disparate. Organizations that are the least likely to offer variable pay include Government (23.9 percent), Non-Profits (25.7 percent), and Education (43.1 percent). The organizations most likely to offer variable pay include Finance & Insurance (84.6 percent), Technology (81.7 percent), Retail (80.3 percent), and Manufacturing (80.7 percent).
Budgeting for Bonuses

Overall, budget for bonus pay was lower in 2020 than in 2019. In 2019, 26.8 percent of organizations had no budget for bonuses. In 2020, this increased to 33.8 percent. Unsurprisingly, top performers are more likely to award bonuses and also larger bonuses than non-top performers. Whether awarding bonuses contributes to organizations becoming top performers or is the result of having performed well is not clear; it is likely to be both.

Types of Bonuses

The most popular type of bonus is still the individual incentive bonus, but the popularity of this bonus type has dropped in 2020 (53.1 percent) compared to 2019 (66.7 percent). Employee referral bonuses have also dropped in prominence from 47.5 percent in 2019 to 34.2 percent in 2020. Spot bonuses have dropped from 46.0 percent in 2019 to 30.8 percent in 2020, as have hiring bonuses from 38.3 percent to 21.8 percent. Company-wide bonuses have increased slightly from 32.3 percent in 2019 to 33.4 percent in 2020. Every other type of bonus is down.
Budget for Bonuses in 2021

The budget for bonuses does not look to be changing significantly. This indicates that the decrease in variable pay for 2020 is a reflection on the impact of the pandemic and organizations that are struggling financially at present, rather than a long-term trend away from bonuses and other types of incentive pay. Bonuses are likely to return to previous levels as soon as business performance improves.
How Benefits Are Changing

Benefits are an important aspect of total rewards. Benefits are often viewed as a way that employers can reward employees outside of base pay increases and variable pay. With base pay increases and bonuses reduced in 2020 and looking to also be reduced in 2021, it makes sense for benefits to stay the same or increase, especially for programs that do not cost a lot.

In 2020, paid vacation topped the list of benefits offered at 89.4 percent. In addition, more organizations than ever offered medical benefits at 87.0 percent (compared to 78.1 percent in 2019). Granted or accrued PTO also jumped from 59.9 percent in 2019 to 75.6 percent in 2020. The ability to work remote was obviously much higher in 2020 at 64.5 percent compared to 47.6 percent in 2019. Even health and wellness programs made the top ten list in 2020 with 58.7 percent of organizations offering this benefit given the physical and emotional impact of the pandemic.

<table>
<thead>
<tr>
<th>Top 10 Offered Benefits in 2020</th>
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</thead>
<tbody>
<tr>
<td>Paid holidays</td>
</tr>
<tr>
<td>Employer-paid healthcare</td>
</tr>
<tr>
<td>Life insurance</td>
</tr>
<tr>
<td>403b or 401k</td>
</tr>
<tr>
<td>Accrued or granted PTO</td>
</tr>
<tr>
<td>Long term disability</td>
</tr>
<tr>
<td>Short term disability</td>
</tr>
<tr>
<td>Employee assistance programs</td>
</tr>
<tr>
<td>Remote work</td>
</tr>
<tr>
<td>Health and wellness programs</td>
</tr>
</tbody>
</table>
To understand how COVID-19 and other stressors change benefits, we also asked organizations which benefits were new for their organization. There is a lot of overlap with the top ten benefits offered overall. More organizations invested in benefits in general in 2020, including benefits such as long and short term disability and life insurance, which might be a way to increase the overall total rewards package when pay increases are uncertain or find creative ways to assist employees impacted by the pandemic beyond paid time off.
**Overall Approach to Rewarding Top Performers**

Overall, total rewards are intended to show employees how they are valued by the organization, especially top performing employees. Top performers can sometimes be interpreted to mean revenue-earning, but this year we made a distinction between revenue-earning and non-revenue earning employees when it comes to total rewards. Total rewards can also include non-monetary benefits such as recognition, a flexible work schedule, or choice in work location. For most organizations, base pay increases and promotions lead as the top incentive choices to reward top performers. This is followed by career development, a bonus plan (either formal or informal), and recognition. Promotion, career development and base pay increases were differentiators among top-performing organizations.

[How Organizations Reward Top Performers chart]

- **Bigger base pay increase**: 53.4%
- **Promotion**: 46.7%
- **Goal-based bonus or incentive**: 46.1%
- **Commissions**: 36.7%
- **Career development**: 34.1%
- **Non-monetary public recognition**: 28.8%
- **Award or recognition**: 28.3%
- **Flexible work location**: 22.4%
- **Flexible work schedule**: 17.2%
- **Stock options / equity**: 15.7%
- **We don’t know**: 14.6%
- **More paid time off**: 10.5%
- **Other**: 8.1%
Summary | It has never been clearer that compensation strategy is a differentiator for business performance – in bad times as well as good. How to incentivize employees to do their best work arguably matters more when times are tough, and workers are asked to do more with less. Although investment in total cash compensation has dropped in 2020 and 2021, more organizations are realizing that they need to invest more in compensation strategy and market data in order to tackle shifts in the economy and the impact of new expectations from the workforce, such as remote work opportunities.

Comp Philosophy

Having a compensation philosophy is a foundational compensation best practice. A compensation philosophy is an organization's formal documented approach to compensation that explains why and how their compensation budget is prioritized. In 2020, 75.6 percent of organizations said they either have a compensation strategy/philosophy or are working on one. This is an increase of 5 percent since last year.
Importance of Changing Comp Strategy in 2021

Given the cumulative impacts of 2020, a majority of organizations (65.3 percent) said that changing their approach to compensation is important over the next 12-18 months. However, 29.6 percent are not ready to make those changes. The remaining 34.7 percent of organizations say that changing how they approach compensation is not important, indicating that compensation is rooted in traditional processes and unlikely to change for a little over a third of organizations — at least in the near future.

Compensation Team

Roughly half (51.8 percent) of the organizations surveyed said they had a dedicated compensation team. This percentage rises with the size of organizations. Although there is less of a difference between small businesses with 1-99 employees and medium businesses with up to 749 employees, 79.7 percent of organizations with 750-4000 employees say they have a compensation team.
The size of the compensation team also rises with company size. A team with more than five people managing compensation is rare for SMBs while a team of one person managing compensation is rare for enterprises with more than 5,000 employees.

The reasons that organizations choose to start a dedicated compensation function vary. Company size is one of the bigger drivers, but other prominent drivers suggest that compensation becomes important when the organization chooses to focus on it.
Compensation Maturity

Organizations fall along a spectrum when it comes to compensation data, structure and processes. In our survey, participants ranked themselves on a maturity scale from 1 to 5. A 1 indicates that the organization is at the beginning of the maturity process and largely reactive, meaning they do not have any formal procedures for setting pay. A 5 indicates that an organization has moved past expertise to become an innovator and trailblazer when it comes to compensation. Between these, a 3 on the spectrum indicates that an organization has developed a compensation structure for all or most of its jobs, which is typically a requirement before an organization can conduct analysis, make proactive market adjustments, conduct pay communications, and start seeing returns on investment in compensation strategy.

Overall, a majority of organizations surveyed (55.1 percent) identified as Level 3 or above, meaning they have at least a structured approach to compensation. However, 44.9 percent of organizations said that they were a Level 2 or below, either just starting to initiate a compensation strategy or were still in the process of developing a philosophy and structure. In addition, only 2.5 percent of organizations identified as trailblazers capable of experimentation and innovation when it comes to compensation. This indicates enormous potential for businesses to improve their compensation processes and offer better experiences and clearer incentivization for employees.
What is Driving Strategic Comp in 2021

We asked participants what common issues are driving compensation strategy in 2021. This year, the economy is at the top of the list at 47.1 percent, followed by retention efforts (bringing pay up to market) at 44.9 percent and recruitment efforts (targeting higher percentiles for hard-to-fill roles) at 42.3 percent. However, for top performers, the economy played a smaller role at 37 percent. The biggest differentiators compared to non-top performers were recruitment at 51 percent and pay equity at 40.5 percent. This demonstrates that making sure employees are paid fairly is what matters most to top performing organizations that exceeded revenue in 2020.

Impact of Corporate Tax Law

2020 was an election year. Although the policies of a new administration in the United States are yet to be determined, a change in tax law is certainly possible. We asked our survey participants whether or not an increase in corporate taxes would impact compensation strategy. Overall, the majority of organizations (71.0 percent) said that it would not. However, this varied by industry. Organizations most likely to be impacted by a change in corporate tax law include Construction, Manufacturing, Retail, and Finance & Insurance.
Market Data

No compensation strategy is trustworthy without market data to validate what employees are being paid by other organizations. The majority of organizations (66.7 percent) use 2-4 sources for salary data to inform their compensation strategy and structure.

When it comes to sources for market data, there are a multitude of options. The most traditional are surveys from providers that aggregate actual salaries from employers. This source tends to be trusted the most by compensation professionals in larger organizations and is utilized by 37.5 percent of respondents. Organizations frequently use multiple surveys to make sure they have enough sources to validate the accuracy of salaries for their employees.

Of course, traditional surveys are not the only option for market data sources. A majority of respondents (59.7 percent) said that they also use free online salary data. This is natural, but not advised as the only way to determine salaries as free sources are less likely to be tailored to an organization’s size, industry, and other compensable factors, which can result in inaccuracies when calculating salaries.

Importantly, paid online data sources are rising in prominence. In 2020, 39.1 percent of organizations said they use paid online data sources, an increase of two percent over last year and a 15 percent increase since 2017. Paid data from PayScale offers the same validity as traditional surveys but are updated more frequently and available right within PayScale’s compensation management products. Paid data from PayScale is also fully transparent, which 76.3 percent of survey participants said was important when evaluating market data sources.
Overall, more employers (76.7 percent) are using either traditional surveys or paid online market data sources to inform their salary setting, which is an increase of 7.9 percent compared to last year when 68.8 percent of respondents said they used these sources, and an increase of 23.5 percent since 2017. It should be noted that PayScale allows organizations to blend traditional surveys with other forms of salary survey data while maintaining complete transparency.

Remote Work

In 2020, remote work was mandated due to the pandemic. The future of remote work is uncertain, but it is significant that employees now know that they can be productive at home and many will want to continue working remotely after the pandemic ends. Many organizations are looking to revise their talent strategy to accommodate this expectation. The impact to pay is currently uncertain, but the conversations being had suggest that compensation strategy may have to be adjusted to remain competitive, especially for certain occupations that can be performed at a high standard from home.
Remote Work Pay Strategy

In 2020, only 11.3 percent of organizations say they have a pay strategy specifically for remote work, but another 10.6 percent say they are working on one for 2021. As we cover in more detail in our Remote Work Report, organizations typically factor location into their compensation structure. Organizations can pay according to the location of their corporate office, the employee's location, a national median (or regional pay bands), or by adopting a mixed strategy. An employer-based strategy or a mixed strategy is currently most prominent, but some organizations are evaluating the benefits of employee-based pay strategies given the possibility that working remote permanently will become normalized. At the present time, many organizations are undecided.

Impact of Remote Work on Talent Strategy

The reason many organizations are undecided about their remote work pay strategy – including whether or not they need one – is because they aren’t sure that remote work will change the competitive landscape. Right now, a slim majority of organizations (50.4 percent) do not think remote work will impact how they compete for talent.

Are You Concerned About How Remote Work Will Change Your Competitive Landscape When it Comes to Attracting and Retaining Talent?
**Likelihood to Re-Benchmark Jobs**

Given the overall uncertainty about the impact of remote work on talent strategy, organizations are largely split between No and Undecided when it comes to whether or not they will re-benchmark jobs for employees who move. Doing so would require certainty that a remote work pay strategy that is different from a general pay strategy is needed. This is by no means certain, especially for organizations that only allow employees to work from home some of the time, but still require employees to occasionally commute into an office.

However, there is variance along industry lines. Agencies & Consultancies, Engineering & Science and Technology companies were the most likely to consider changing pay based on where employees move. For the most part, organizations were more likely to pay employees more if they moved to a more expensive area than pay them less if they moved to a less expensive area, especially Construction and Retail. However, industries that were an exception to this are Agencies & Consultancies, Technology companies, Government and Non-Profits.
Stipend Offered to Employees Who Work From Home

In 2020, nearly 25 percent of organizations offered a stipend to employees working from home to help pay for office equipment and internet access.

What Organizations Are Investing In to Support Remote Work in 2021

- Providing computers, monitors, or other home office equipment: 52.2%
- Investment in collaboration software and other cloud-based technology: 29.8%
- Programs and technology to create and maintain culture outside of an office: 24.1%
- Nothing decided: 23.1%
- Investments in health and wellness programs for work/life balance: 21.4%
- New or increased security measures and training: 19.8%
- Upskilling or reskilling to help employees thrive in a remote work environment: 16.6%
- We don’t have remote workers: 14.9%
- Monthly stipends for internet connectivity and/or telecommuting software: 14.1%
- One-time stipend for new employees to buy their own office equipment: 9.6%
- Technology to monitor employee productivity: 8.0%
- Travel stipends to support in-person events or workshops when necessary: 4.0%
- Other: 2.6%

Benefits Offered to Remote Employees in 2021

We also asked employers what they were planning to invest in to assist employees working remotely in 2021. The majority of organizations planned to provide office equipment to their employees working from home (52.2 percent). The next two highest investments were in collaboration software and cloud-based technology to enable a remote work environment (29.8 percent) and programs and technology to maintain the culture outside the office (24.1 percent). Only 14.1 percent of organizations said they were offering monthly stipends in 2021 for internet connectivity or telecommuting software. Stipends to new employees to buy their own equipment were even lower at 9.6 percent of organizations.
COVID-19 was not the only force to draw international attention and dominate the news cycles in 2020. Following the death of George Floyd and Black Lives Matter protests, calls for racial justice swept the nation, reigniting conversations on police brutality, systemic oppression, and wealth disparity. In the corporate arena, this turned into conversations about diversity, equity, and inclusion. The subject of pay equity, which was already growing in prominence in recent years due to the #MeToo movement and press coverage of the gender pay gap, returned in force to emphasize that equal pay cannot be ignored — not even during a pandemic. The racial wage gap, which has always been intrinsically connected to the gender pay gap, is receiving increased attention as organizations look inward to accurately assess unfair practices.

**Importance of Pay Equity**

<table>
<thead>
<tr>
<th>Importance Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very unimportant</td>
<td>14.5%</td>
</tr>
<tr>
<td>Somewhat unimportant</td>
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<tr>
<td>Neutral</td>
<td>12.0%</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>28.8%</td>
</tr>
<tr>
<td>Very important</td>
<td>36.7%</td>
</tr>
</tbody>
</table>

Pay equity is reported to be either very important or somewhat important to the majority of organizations (65.5 percent). Top performers had a higher rate of reporting pay equity as very important (39.5 percent) compared to non-top performers (30.9 percent). There is also a correlation to company size and the importance of pay equity. Small organizations (1-99 employees) reported pay equity as very important at 31.2 percent while 45.1 percent of large organizations (5,000+ employees) report pay equity as being very important.

Engineering & Science had the highest rate of respondents reporting pay equity as very important (44.0 percent), followed by Finance & Insurance at 43.4 percent. Energy & Utilities had the highest rate of reporting pay equity as very unimportant (23.8 percent).
Why Organizations Pay Equitably

Employees are sometimes under the perception that businesses strive to pay workers as little as possible. However, when given the choice, most organizations (80.4 percent) say they aspire to keep employees engaged by paying them equitably based on market data over maximizing payroll. Only 7.6 percent said they strive to pay employees as little as possible, while 12.1 percent said that they did not have an approach.

The Food, Beverage & Hospitality industry had the highest rate across all groups of paying as little as possible at 16.3 percent, which is still a minority, followed by Retail & Customer Service (12.5 percent) and Engineering & Science (13.0 percent). Meanwhile, the industries most likely to pay employees equitably to market include Energy & Utilities (95.6 percent), Finance & Insurance (85.5 percent), Agencies & Consultancies (84.2 percent), Technology (82.9 percent), Nonprofits (82.1 percent), Engineering & Science (81.5 percent), and Manufacturing (81.3 percent).
Investment in Pay Equity Analysis

While a majority of organizations (53.8 percent) report that they will not conduct pay equity analysis in 2021, 46.2 percent say that they will conduct a gender pay gap analysis, a racial pay gap analysis, or both in 2021. Although still a minority of organizations, this is an increase of 8 percent over last year, when only 38.2 percent of organizations said they would conduct a pay equity analysis. This percentage has been growing year over year.

The intention to conduct a pay equity analysis in 2021 is in the majority for top performing organizations (54.6 percent). Intention to conduct a pay equity analysis also increases in alignment with company size. Small organizations (1-99 employees) have the highest rate of not intending to conduct pay equity analysis in 2021 at 73.8 percent while just 25.8 percent of large organizations with 5,000 or more employees said the same.

Industries with the highest rates of not planning a pay equity analysis in 2021 include Construction (71.4 percent), Agencies & Consultancies (70.4 percent), and Food, Beverage & Hospitality (65.9 percent).

If you are interested in this topic and want to know more about what organizations are doing for Diversity, Equity and Inclusion, return to PayScale.com for our research on the Racial and Gender Pay Gap in 2021 scheduled to be published in late March for Equal Pay Day.
Summary | Stress and frustration are often the result of poor communication. During a tough year when employees have faced a pandemic, a recession, and various degrees of social upheaval, anxiety can run high. Layoffs, deferred raises, and reduced or cancelled bonuses are just a few realities that employees have had to face in the last year. What can make the difference is communicating pay practices effectively. A total compensation statement delivered by a manager with a conversation about how pay is decided and what the employee can do to earn more fosters trust and incentivizes employees to give their best effort. Unfortunately, many organizations don’t train managers on pay communications, so even if they have a pay strategy, it doesn’t make as much of an impact on employee engagement as it could.

Communication Basics

Total Compensation Statement

A total compensation statement outlines the total cash compensation that an employee is eligible for. Some total compensation statements include the pay range as well as a breakdown of the monetary value of rewards such as PTO and benefits. A total compensation statement is a useful tool for managers to walk employees through how they are valued by the organization. It is also an opportunity to explain how market data determines pay and to share the organization’s compensation philosophy.

Overall, a majority of organizations (53.5 percent) report not providing a compensation statement. However, this is a slight improvement over last year when 57.6 percent of organizations reported not providing a total compensation statement.

The use of a total compensation statement increases with company size. Fewer organizations with 1-99 employees report providing a comp statement (37.6 percent) compared to organizations with more than 5,000 employees (48.3 percent). Organizations in the Finance & Insurance industry are the most likely to provide a total compensation statement at 63.2 percent, followed by Engineering & Science at 51.0 percent. Construction and Education are among the least likely to provide a total compensation statement at 64.5 percent and 61.1 percent respectively.
Communicating Pay Rationale to Employees

A total compensation statement is a useful tool but explaining the rationale and nuances behind an employee’s compensation really makes it actionable. Typically, this includes sharing pay ranges with employees, where they fall within that range, and how market data determines their pay. Holistically, this kind of communication can help employees feel that they are paid fairly and how they can grow with the organization.

Unfortunately, a majority of organizations still do not share pay ranges or market data with employees. Overall, just 37.3 percent share pay ranges while only 16.4 percent share market data when making an offer and 19.0 percent when giving a raise. The rate of sharing pay ranges with employees increases with company size while the rate of sharing market data decreases. Around 35 percent of small organizations report sharing pay ranges versus 46.7 percent of the largest organizations. Likewise, 29.2 percent of small organizations report sharing market data for pay raises while only 5.4 percent of large organizations do. Larger organizations are typically more structured and mature when it comes to compensation processes but are also the most mired in traditional policies, slower to change, and often more wary of transparency.
Pay Transparency

As the above may help to clarify, Pay Transparency is a spectrum, not an either/or policy decision. Although most organizations don’t publish employee salaries and many aren’t yet providing total compensation statements and pay rationale, the majority want to become more transparent about pay.

For 2020, a large portion of organizations (43.0 percent) currently place themselves at a 1 on the pay transparency spectrum, which is the lowest level of transparency wherein employees can see their paycheck and that’s about it. This is a minor decrease from last year’s 45.2 percent of organizations in the same category.

A slight majority of organizations (51.9 percent) land in the 2-4 range, which spans sharing minimal market data with employees to a fully fleshed out compensation plan strategy. This is a slight increase from last year (48.6 percent). In 2021, a majority of organizations (54.6 percent) want to be at least a 3 on the pay transparency spectrum, which would first require having a compensation plan with pay structures.

Although more organizations want to be more transparent than they are, the numbers haven’t changed substantially year over year, indicating that progress toward pay transparency is a slow-moving ship, even if you aren’t trying to be a 5 on the spectrum, where only 6.8 percent of organizations aspire to be.
Manager Training

When it comes to communicating compensation, managers are often the messengers. Depending on their understanding and delivery, they can inspire loyalty or seed apathy.

Unfortunately, the majority of organizations (57.8 percent) do not offer manager training on pay communications. Manager training on pay communications increases with company size. A majority of large organizations with over 5,000 employees offer pay communications training (51.8 percent) compared to just 24.5 percent of small organizations with fewer than 100 employees.

Oddly, larger organizations report a higher lack of confidence in managers’ abilities to communicate compensation than smaller organizations. For organizations with fewer than 100 employees, 27.2 percent report not being confident in managers’ pay communications compared to 34.7 percent of the largest organizations.

Confidence in Managers to Have Pay Conversations

<table>
<thead>
<tr>
<th></th>
<th>Very confident</th>
<th>Somewhat confident</th>
<th>Not confident</th>
<th>Unsure or don't know</th>
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<tbody>
<tr>
<td>Overall</td>
<td>12.7%</td>
<td>50.8%</td>
<td>32.5%</td>
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<tr>
<td>1-99 employees</td>
<td>18.2%</td>
<td>48.7%</td>
<td>27.2%</td>
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<tr>
<td>100-749 employees</td>
<td>8.5%</td>
<td>48.6%</td>
<td>38.2%</td>
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<tr>
<td>750-4,999 employees</td>
<td>8.9%</td>
<td>56.4%</td>
<td>33.0%</td>
<td></td>
</tr>
<tr>
<td>5,000 or more employees</td>
<td>8.3%</td>
<td>54.5%</td>
<td>34.7%</td>
<td></td>
</tr>
</tbody>
</table>

 Determines if your organization offers manager training on pay communications.

<table>
<thead>
<tr>
<th>Employee Size</th>
<th>Yes (%)</th>
<th>No (%)</th>
<th>Unsure or don't know (%)</th>
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</thead>
<tbody>
<tr>
<td>Overall</td>
<td>35.5%</td>
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<td>6.7%</td>
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<td>1-99 employees</td>
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<td>5,000 or more employees</td>
<td>51.8%</td>
<td>36.0%</td>
<td>12.2%</td>
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</table>
Pay Brand

The purpose of having a compensation strategy and pay communications is to assist with talent acquisition and retention by establishing your organization as a reputable brand that pays well. Every organization has a pay brand whether they create one intentionally through policy or organically build one over time through the experiences employees and candidates have with the organization.

An external perception that an organization pays well and fairly carries weight with both internal employees looking for a promotion and candidates who are evaluating opportunities. Job candidates usually research organizations before or during the interview process and when evaluating offers. A strong pay brand can reduce friction for recruiters and improve the candidate acceptance rate.

However, when asked to evaluate their current pay brand with their own employees, most organizations (58.8 percent) responded that theirs were either neutral, bad, or very bad. Organizations were a little more optimistic with job candidates, but a majority (54.6 percent) still felt that their pay brand was neutral at best. Although many respondents reported that their pay brand was either good or very good, there seems to be considerable room for improvement when it comes to external perceptions about how an organization pays its employees.

This finding is not only comparable across different groups, such as company size, they are also comparable to last year’s result. As compensation philosophies and pay structures become more prominent and pay communications are adopted, a push to create a “good” or “very good” pay brand can be a way for organizations to measure the results of their pay practices.
**Summary**  In previous years, when the economy was roaring and talent was scarce, training, recruitment and retention dominated HR challenges and investments. In 2021, organizations are more concerned with safety, performance and increasing focus on diversity, equity and inclusion. Developing or improving comp structures and strategy was the biggest concern among comp related activities. More forgotten is the impact of automation and AI, despite experts warning that advanced technology will usher in a Fourth Industrial Revolution which would be inherently disruptive to the economy and business worldwide.

**Most Important HR Challenges in 2021**

Organizations ranked safety, employee engagement, and recruiting highest among the biggest HR challenges facing them in 2021. Reskilling the workforce was the lowest recognized priority, followed by Modernizing HR technology. Top performing organizations gave more emphasis to recruiting, managing compensation, and modernizing HR technology than non-top performers.
Most Important HR Investments in 2021

The majority of organizations cited safety as the top investment in 2021, but this was followed closely by training and development and employee engagement. However, top performing organizations gave the highest priority to recruiting, employee engagement and training and development. Recruiting, retention, and modernizing HR technology received significantly more expectation for investment in 2021 among top performing organizations.

Most Important Comp Activities in 2021

HR had a tough year in 2020 with a lot of competing priorities. When we look at compensation alone, the most important activities in 2021 for most organizations are developing and improving comp structures and becoming more transparent about pay data and processes. Top performing organizations differentiate by putting slightly more emphasis on pay transparency and preparing for a remote workforce.
How You See Your Job Changing in 2021

When asking how compensation as an occupation will change in the future, organizations cited revamping their compensation plan or structure as the activity they would spend the most additional time on, followed closely by training managers on pay communications. The top activity where organizations said they would spend less time was participating in surveys. This could be a concern for maintaining the depths and integrity of data that is foundational to pay decisions. However, it could also indicate that organizations are planning to move to compensation technology solutions such as PayScale which streamline – and sometimes even automate – survey participation processes.

A surprising percentage of organizations (30.0 percent) did not feel that a pay strategy for remote work would be applicable to their job in 2021. However, among top performing organizations, only 21.5 percent felt that a remote work pay strategy was not applicable. Top performing organizations were also more likely to say that they would spend more time on conducting pay equity analysis in 2021 as well as spending more time creating, analyzing and presenting data to business leadership.
Concern Over AI and the Age of Automation

Finding the skills you need for the future

AI / Automation replacing jobs in your org

The impact on AI / automation on your wages in your org

AI / automation replacing jobs in your industry at large

The impact of AI / automation on the broader labor economy

Concern About The Age of AI

Generally speaking, the respondents to PayScale’s Compensation Best Practices Survey did not express great concern about the Age of AI or automation as a destroyer of jobs or for the impact it might have on wages or the economy. Of organizations that expressed concern, finding skills needed for the future of business topped the list. Top performing organizations expressed that they were somewhat concerned with the impact of AI/Automation on the broader economy in slightly greater numbers than non-top performing organizations.
METHODOLOGY

The 2021 Compensation Best Practices Survey gathered responses from November 2020 to January 2021. There were 5,003 respondents.

Top Performing Organizations

Top-performing organizations are defined as those who exceeded their revenue goals in 2020. In this year’s study, 19.3 percent of respondents fit this criterion.

Location

Respondents spanned the globe, including 3,397 respondents in the United States and 447 respondents in Canada. While organizations with both single and multiple locations were represented, a majority of organizations surveyed reported a presence in multiple geographic locations.

Organization Size

We defined four organizational sizes for comparison as follows: Small (1-99 employees), Mid-Size (100-749 employees), Large (750-4,999 employees) and Enterprise (5,000 or more employees). About 39.5 of respondents reflect small organizations; 28.1 percent of respondents come from mid-sized organizations; 15.3 percent of respondents come from large organizations, and 17.1 percent come from enterprise organizations.
Industry & Organization Type

As in prior years, the top industries represented in the survey were Technology (including software), Healthcare and Social Assistance, Manufacturing, Finance & Insurance, and Nonprofits. In terms of organization type, most respondents were either from a public company, a private company, or a nonprofit, but we also have respondents from government, schools, colleges/universities, hospitals, cooperatives, and trade associations.
Job Level

A majority of respondents identified as Manager or above (67.4 percent). A third of respondents identified their job level as Individual Contributors (32.6 percent).

Roles

Our respondents play a variety of roles in the compensation process — ranging from job evaluation (48.1 percent), to setting new hire pay (41.3 percent), setting comp budget (28.1 percent), to updating comp structures (43.0 percent), all the way to completing comp market studies (43.9 percent) and administering incentive and bonus plans for their organization (28.1 percent).
About PayScale

PayScale offers modern compensation software and the most precise, real-time data-driven insights for employees and employers alike. Thousands of organizations, from small businesses to Fortune 500 companies, use PayScale products to power pay decisions for millions of employees.

For more information, please visit www.payscale.com or follow PayScale on LinkedIn: https://linkedin.com/company/payscale-inc-.