



Compensation Planning in Turbulent Times

Tuesday, July 26th



Today's Presenters



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Today's Agenda

- Today's turbulent landscape
- Managing compensation in a volatile market
- Tips for resilient compensation



Turbulent times

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'It's going to be hard to avoid some kind of recession,' Chief Executive Charlie Scharf says

FINANCIAL TIMES

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MAY 18, 21:13

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12 May | Comments

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Layoffs at 95 Tech Companies in June Quicken Potential Recession Slide

BY JALEN SMALL ON 6/21/22 AT 3:53 PM EDT

crunchbase news

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Tech Layoffs In 2022: The U.S. Companies That Have Cut Jobs

Sophia Kunthara July 12, 2022



Market volatility



Economic outlook

- Inflation is now at **9.1%**, a 40-year high after a 13-year growth cycle
- Financial markets are in downturn and economic activity is shrinking
- Ongoing conflict in Eastern Europe and other geopolitical developments have driven energy and agricultural commodity prices higher.
- US economic growth evolve into a shallow recession in late 2022 and early 2023



Organizational challenges

- Labor supply challenges - the unemployment rate stayed steady at **3.6%** despite 372,000 jobs being added in June
- Job vacancies still outnumber available workers by a margin of **2-to-1**
- Worker wages are rising, but inflation is eating up those gains
- Businesses are constrained by supply-chain bottlenecks adding to the costs of their operations

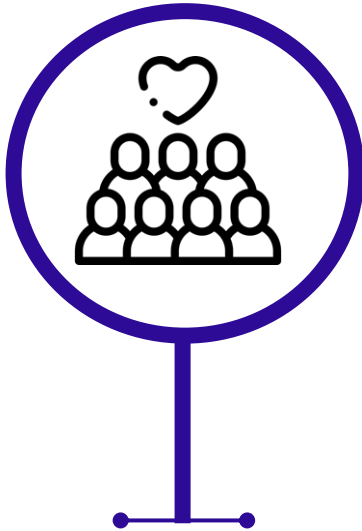
Poll Question 1: Are you preparing for a downturn?

- A. Yes, we are taking actions now to prepare for a downturn scenario
- B. Yes, but this is only at planning and discussion stage now
- C. No, not yet we have not changed tack
- D. I don't know

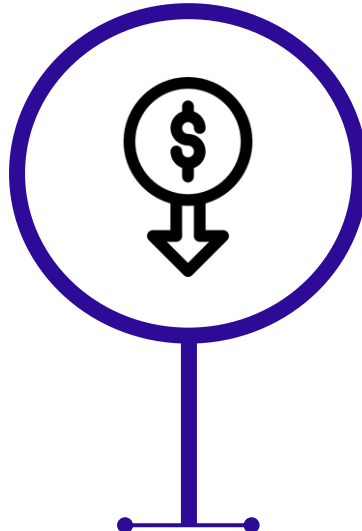


**Compensation is an evergreen
activity**

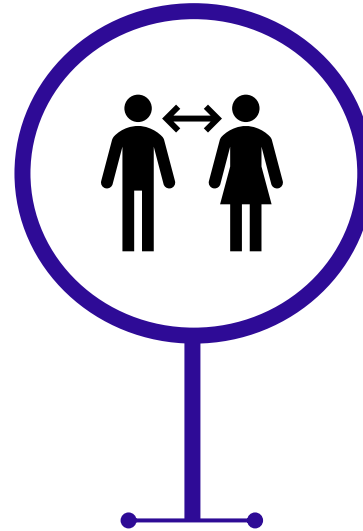
How to prepare



Identify which
talent creates
the most value



Optimize
compensation
spend



Maintain pay
equity and
transparency



Focus on data
for
critical insights

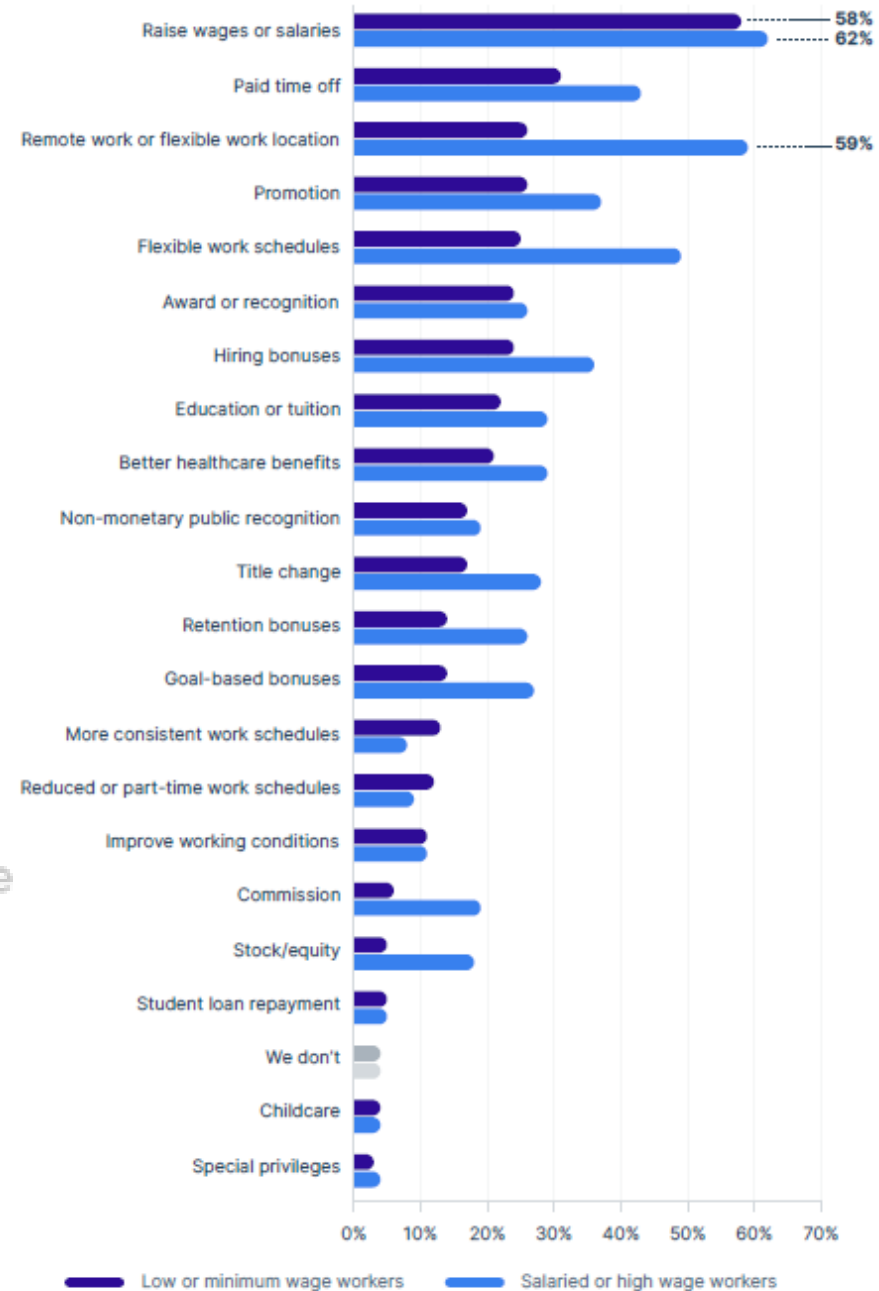
Identify which talent creates the most value

1. Retaining key talent that drives value creation becomes a priority - continue to invest in talent programs.
2. If you are reducing headcount - you end up with less talent – what you retain needs to be high value.
3. Evaluating which of your employees and teams represent key, superior talent and which are average (or worse) is critical.
4. Hiring may get easier, but skills shortages will still prevail.
5. Unknown factor - the longer-term impact of the Great Re-evaluation and the increase in worker inactivity.

Tactics to attract and retain talent

Payscale CBPR 2022

Which of the following is your organization doing to attract and retain talent?



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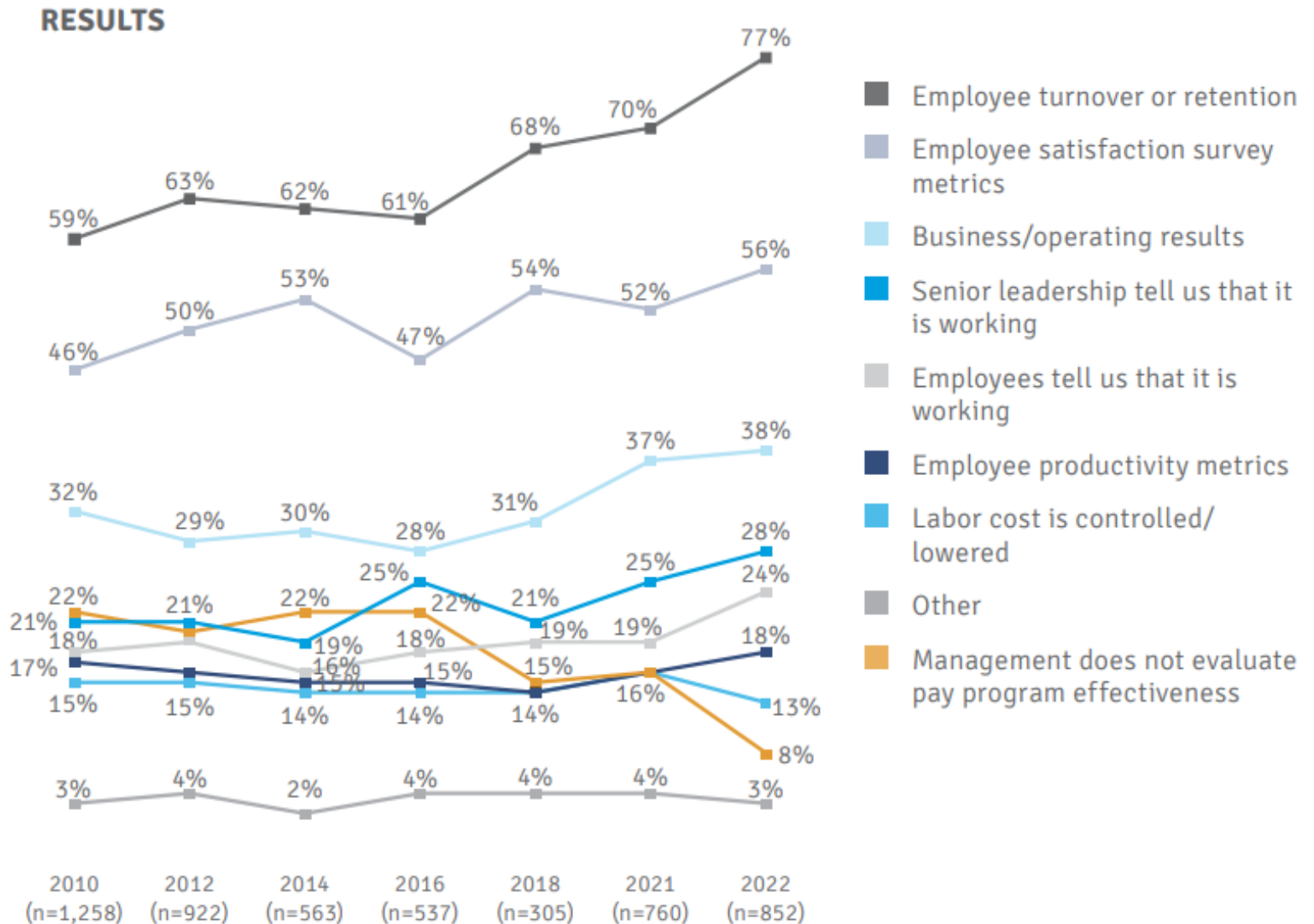
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Optimize compensation spend

1. Linking compensation to the activities that create value in your business becomes critical.
2. Optimize compensation spend to engage and retain critical talent and drive business performance.
3. Make sure you are prepared to support discerning and differentiated compensation decisions, and managers are trained for this.
4. Let's not return to the peanut butter approach to pay differentiation!
5. Focus on a high impact approach to compensation - aim to demonstrate strong ROI.

How does management assess effectiveness of compensation programs?

World at Work Compensation Programs & Practices 2022



Maintain pay equity and transparency

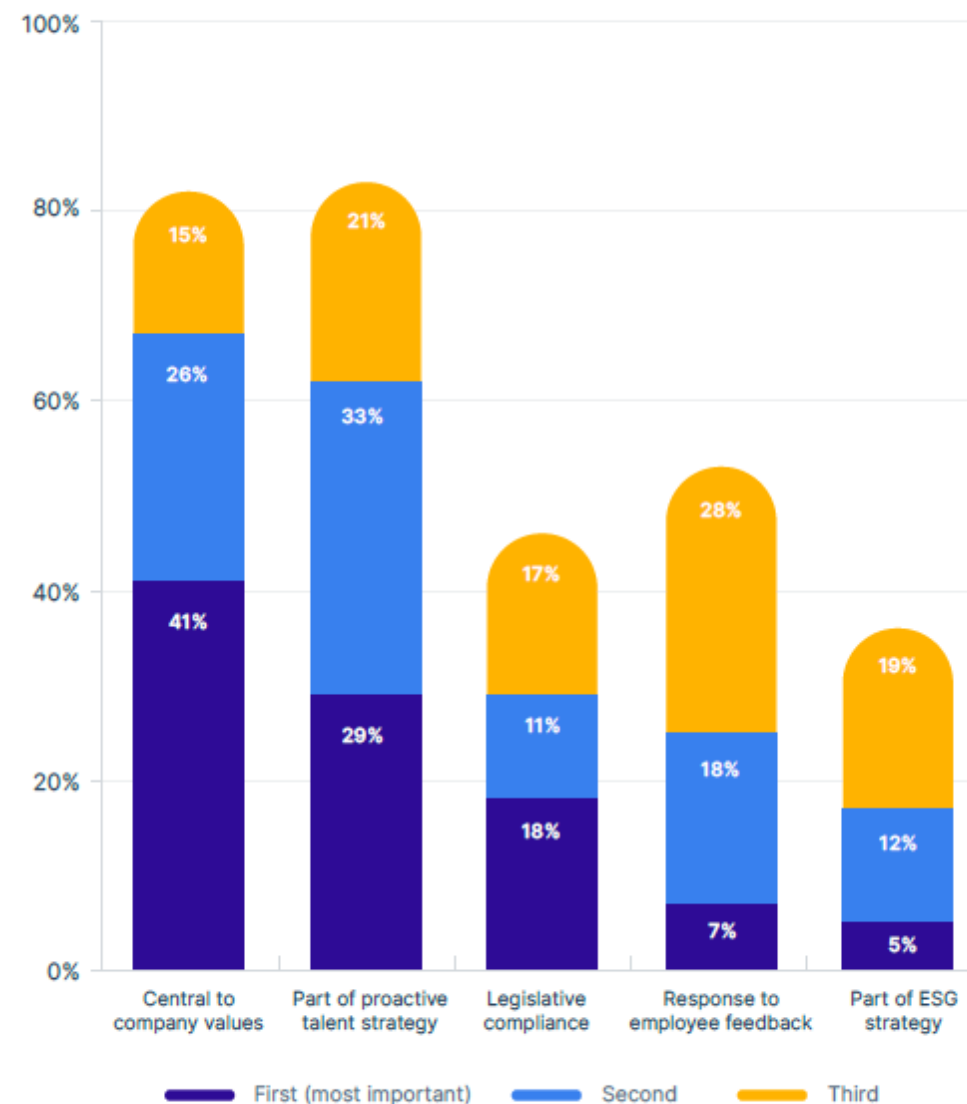
1. Heightened employee & stakeholder expectations, together with emerging legislation will make it hard to deprioritize.
2. Organizations that have started their journey and stated a commitment will damage employee engagement if they halt this now.
3. As pay budgets potentially become constrained, continue to consider pay equity adjustments and wages for lower earning employees.
4. In any downturn you do not want any expensive legal challenges.

A clear shift to a more value-led perspective where employers believe a positive stance on pay equity is central to their company values and part of a proactive talent strategy.

Payscale CBPR 2022

Why is pay equity a planned or current initiative?

(rank top 3 in order of performance)



Focus on data for critical insights

1. Data readiness: Are you prepared to provide clear evidence linking reward effectiveness to business performance?
2. Are you using information that is accurate, relevant and timely?
3. How can I easily share that data with decision makers to help them make informed pay decisions?
4. Can I demonstrate the ROI of reward?
5. Build ongoing assessment into reward program design and implementation.

Poll Question 2: Heading into Q3 which of the below do you think is your biggest challenge?

(Select the one that applies most)

- A. Identifying which talent creates the most value to our business.
- B. Demonstrating optimization of compensation spend.
- C. Maintain pay equity and transparency.
- D. Being able to provide data for critical insights to support differentiated compensation allocation.

Top tips for resilient compensation



Ensure you are clear on key business metrics and talent requirements for your business to calibrate planned compensation allocation



Work to gather your talent intelligence, so you can use compensation as a form of talent insurance



Maintain a focus on pay equity and transparency, to meet stakeholder expectations



Consider your data readiness



Plan to demonstrate ROI of compensation spend



Expect the unexpected and be prepared

Poll Question 3: What's your key takeaway today?

- A. I will work with business leaders to focus on key business metrics to focus compensation allocation.
- B. I will work with HR to understand out talent priorities.
- C. I will work to maintain a focus on pay equity and transparency, to meet stakeholder expectations.
- D. I will consider our data readiness.
- E. I will investigate ways to demonstrate ROI of compensation spend.



Gain a competitive edge in a fierce talent market while building a more fair, equitable and transparent pay strategy

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Statements

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salary database

HR Market Analysis

A composite of analyst curated
employer reported survey data

Q&A

Feel free to ask any questions in the chat!

