



2021 Compensation and Culture Report

Employee Attitudes and Employer Responses for an Effective Rewards Strategy

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Adapting Rewards to a Transformed Workplace

Now that 2020 is behind us, and the workplace has been transformed in ways that seem likely to last, how have employee attitudes about compensation and rewards changed? And how can employers adapt to attract, retain, and motivate talent? Our recent survey was designed to shed light on those questions.

In 2018 and 2019—not long ago but now sometimes thought of as the “Great Before”—we set out to understand the workplace culture climate with respect to both **coming-of-age Gen Z** workers and the effectiveness of intensified efforts to remedy **gender pay gaps**. In those years, we surveyed 1,200 and 1,600 actively employed adults, respectively, to assess their experiences and perceptions on these topics.

Anyone around in 2020 understands, of course, that the workplace has since been turned upside down. But how has this affected workers’ perceptions, priorities, and opinions of their employers? And where must employers focus as we prepare to enter a post-pandemic environment?

Once again we sought to understand these answers by soliciting the opinions of workers themselves. In November 2020, we surveyed 1,000 actively employed adults in the United States to understand how employee views of total rewards, diversity and inclusion, work-life balance, transparency, and benefits have changed during the COVID-19 pandemic and what employees expect from their employers in 2021 and beyond.

In November 2020, we surveyed 1,000 actively employed adults in the United States. Respondents were categorized by generation as follows:

- Generation Z, born between 1997-2012
- Millennials, born between 1981-1996
- Generation X, born between 1965-1980
- Baby Boomers, born between 1946-1964

Source: Pew Research

“Most employers have not kept pace with the changing needs of their workforce.”

Overall, our findings uncovered that not only have the majority of employees have felt a downturn to their work life in some way over the past year, most employers have not kept pace with the changing needs of their workforce and progress towards pay transparency and pay equity has receded.

Here, we’ll outline the findings of our survey, what they mean for employers, and which actions employers should focus on as we move into a new normal.

Most Employees Lost Pay in 2020

While unemployment soared during 2020, those who remained employed took a financial hit as well. More than half (51%) of employees say they experienced a pay cut during the pandemic, with Generation Z (67%) the most likely to experience a cut.

Nearly a third (31%) of workers said they experienced a pay cut because their company lowered their pay to help save jobs. One in five (21%) said they cut back hours due to caregiving responsibilities, and another 14% reported they had their pay reduced by their employer because they relocated to an area with a lower cost of living.

What best describes the reason for this pay cut?

31%

My company lowered my pay to help save jobs

21%

I cut back hours due to caregiving

14%

My employer reduced my pay because I relocated to an area with lower cost of living

Perhaps welcome news to employers, the cuts seemed to be accepted as a preferable path. Of our respondents, 55% said they would take a pay cut to avoid being furloughed or let go. Men (59%) were more likely than women (52%) to have this preference, and Gen Z (61%) were the most likely to accept a pay cut to avoid being furloughed, compared to Millennials (57%), Gen X (55%), and Baby Boomers (44%).

This acceptance applies mainly to saving the employee's own job, however. Less than half (44%) of our respondents said they would take a pay cut if it meant their colleagues would not be furloughed. Gen Z (49%) and Gen X (46%) were slightly more generous than Millennials (44%) and Baby Boomers (31%).

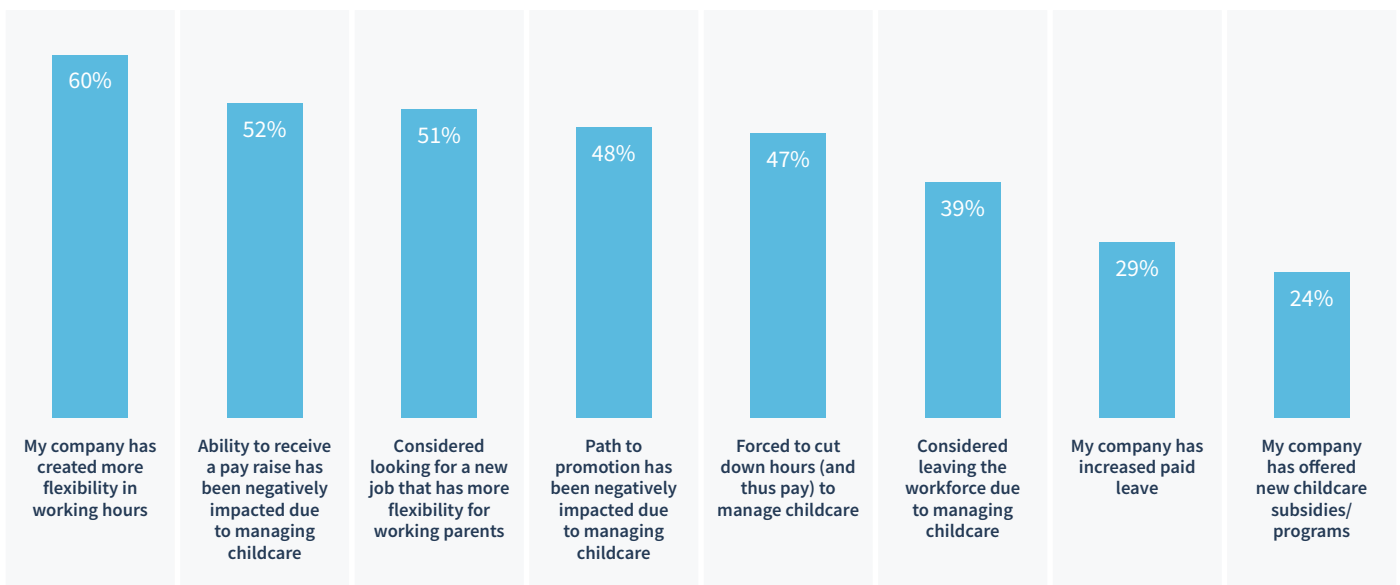
In addition, only 24% of employees surveyed in 2020 said that their CEO or a member of their management team had suffered a pay cut during the pandemic, further accentuating the sense of inequity that already prevailed during our survey in 2018 where 78% of employees said most of their leaders were making too much money compared to their employees.

Employers' Response Has Not Kept Pace With Employee Needs

With the often unpredictable and sporadic closures of schools and daycare centers, parents have been especially stretched to balance their work and home lives during the pandemic.

Of our survey respondents, 52% were parents to school-aged children in their household. While three in five (60%) of these working parents say they experienced more flexibility in the workplace as a result of the pandemic, less than a quarter (24%) say they were offered new childcare subsidies, and less than a third (29%) of the working parents received increased paid leave. This gap may have contributed to nearly half (47%) of working parents saying they were forced to cut down hours, and thus pay, due to childcare demands, and nearly two in five (39%) considering leaving the workforce. Additionally, nearly half (48%) of working parents believe their path to promotion has been negatively impacted due to managing childcare during the pandemic, and a slightly larger group (52%) believes their ability to receive a pay raise has been negatively impacted for the same reason.

Parents of school-aged children in the household, have you experienced any of the following during the COVID-19 pandemic?



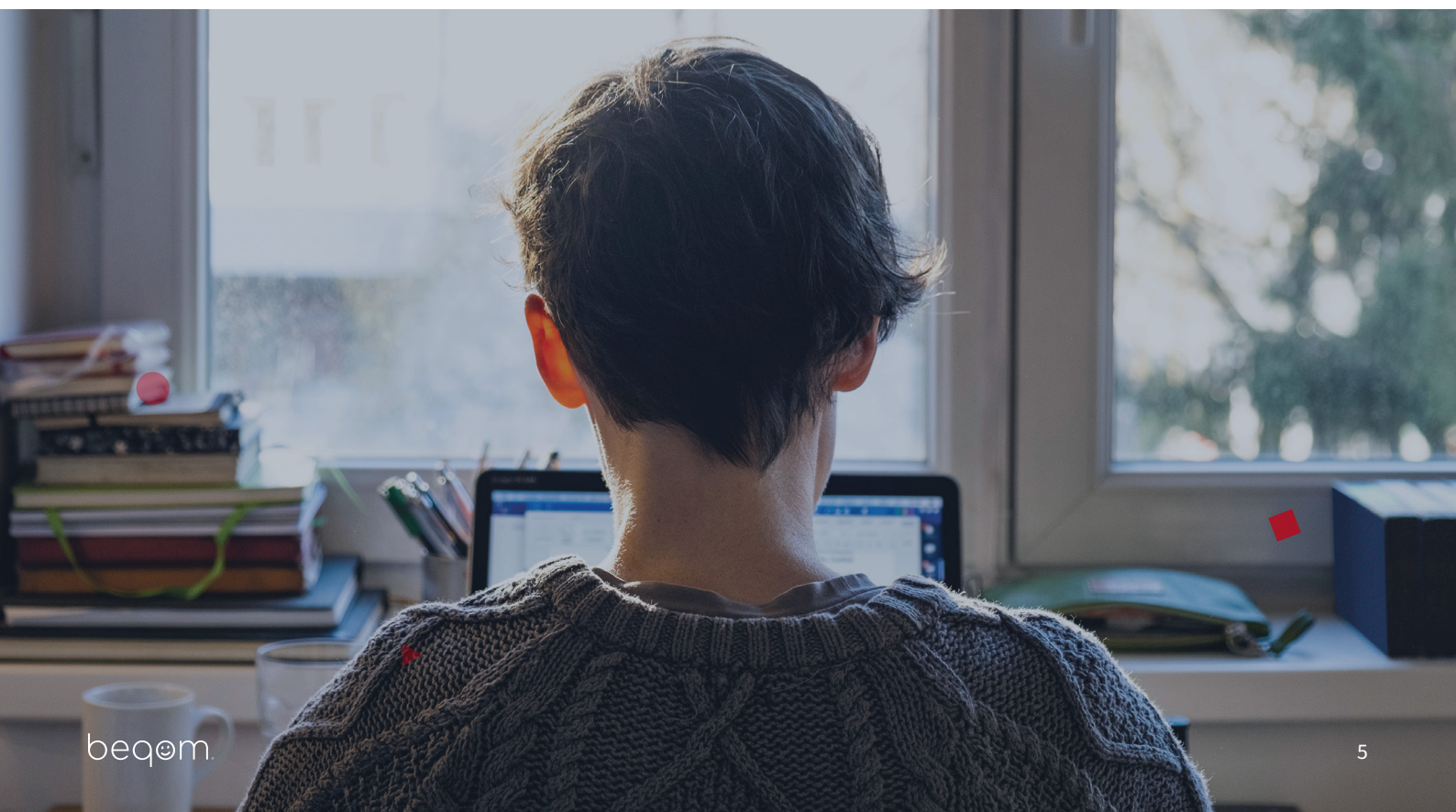
Across all respondents, a majority (51%) told us their employer added remote work during the pandemic, and nearly two in five (39%) said their employer increased flexible hours. However, only one in five (17%) reported their employer added mental health benefits, and while a similar share (20%) said they received additional paid leave, one in 10 (10%) said paid leave was actually removed.

If another company offered the following, would it make you consider switching jobs?



Even during a pandemic, employers must address these factors when it comes to retaining employees. More than three-quarters (77%) of employees told us they would consider switching jobs if another company offered unlimited paid leave, more flexibility in working hours (76%), or remote work post-COVID (77%). Men (76%) are most likely to consider switching jobs for the ability to work remotely post-COVID, while women (79%) are most likely to consider switching jobs for unlimited paid leave.

Among generations, Gen Z (84%) are most likely to consider switching jobs for unlimited paid leave and flexibility in working hours, while middle-aged Gen X (74%) are most likely to consider switching jobs for the ability to work remotely during COVID.

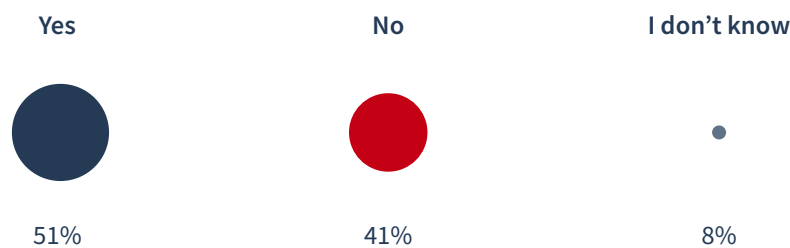


Pay Transparency Proves Challenging During Remote Work

As we noted in our [2019 survey report](#), a large majority of employees support pay transparency. In 2019, nearly three-quarters (72%) of our respondents said there should be a national law mandating companies to disclose gender pay gap figures, and 63% of workers said they would be more willing to work at a company that discloses its gender pay gap figures yearly.

When companies are not proactive at providing pay transparency, employees often create it on their own, but the displacement of colleagues to remote home offices seems to have affected this openness. In 2018, 46% of our respondents said they would share or discuss salary with colleagues, including 56% of Millennials and 61% of Gen Z. In 2020, that share dropped to 40% overall, with a significant 13% drop among Millennials (43%) while Gen Z held steady at 58%. Men (49%), however, are significantly more likely than women (34%) to feel comfortable discussing salary with their colleagues remotely.

In the past eight months (during the pandemic) have you felt comfortable speaking with your manager about your pay/total compensation?



Beyond discussions with colleagues, only half (51%) of those we surveyed said they have felt comfortable discussing pay with their direct manager during the pandemic, while 41% have not. The gaps in this comfort level were dramatic in both age and gender. Far more men (62%) than women (44%) have felt comfortable speaking with their manager about their pay, while Baby Boomers (51%) are almost twice as likely as Gen Zs (26%) to be willing to broach the subject.

Of employees who were not comfortable speaking with their manager about their compensation during the pandemic, more than a third (37%) said they're grateful just to have a job and did not think discussing pay would reflect positively, while a quarter (25%) were nervous it would impact their employment status. A smaller share (15%) said their company had freezes on raises and promotions, making the discussion moot.

While it may seem like a drop that so many employees now say they are uncomfortable discussing pay with their managers, the topic was not felt much differently in 2018. At that time, more than half (54%) told us they did not plan to ask for a raise or additional benefits before the end of the year. In fact, pre-pandemic 2018 respondents told us they would rather find a new job than talk to their managers about pay.

In a year like 2020, these employee feelings may have in fact been justified, but the gender and age gaps should be of a concern to employers, since this reluctance has the potential to exacerbate gender-related pay gaps and to affect not only the retention of but the lifetime earning potential of Gen Z.

“The first step in achieving fair compensation across all levels of your organization must be implementing transparency.”

As many have reported, the pandemic has disproportionately affected women employees and workers of color, threatening to undo more than a decade of progress. The first step in achieving fair compensation across all levels of your organization must be implementing transparency with your employees about how compensation is determined and delivered.

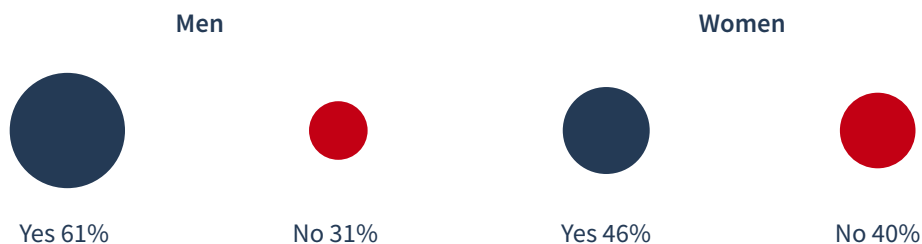


Employees Still Perceive Pay Inequity

Pay inequity is not a challenge unique to pandemic response; it's one that has been at the forefront for employees for years. In 2018, almost half (48%) of our survey respondents said they believe men get paid more than women at their company, with women almost 20% more likely than men to say men are paid more at their company.

Two years later, during the new realities of COVID, perceptions have somewhat improved. In 2020, slightly more than a third (36%) of employees said they do not think their company pays employees fairly, a drop of 12 percentage points, but women (40%) are still more likely than men (31%) to think their company does not pay fairly. In addition, nearly a fifth (18%) of employees say pay gaps within their company have increased during the pandemic.

Do you think your company pays employees fairly?



What are employees willing to do about pay inequality? In 2019, only one in three (34%) enterprise workers told us they would give up workplace perks, such as free lunches, unlimited vacation, and work from home options, if it meant that women were paid equally to men in their company; more than four in 10 (43%) said they would not. In 2020, sentiment has remained largely unchanged, with a third (33%) of employees telling us they would be willing to take a pay cut to create equal pay within their company; nearly half (49%) would not. However, more than half (51%) of Gen Z say they would take a pay cut to create equal pay within their company, compared to Millennials (31%), Gen X (36%), and Baby Boomers (23%).

“When employees perceive a pay gap, there is a 16% decrease in intent to stay.”

As we reported with our 2019 survey, when employees perceive a pay gap, regardless of whether their perceptions are correct, this has a direct, negative effect on employee retention resulting in a 16% decrease in intent to stay. That's 50% worse than the typical impact of a pay freeze. Because pay equity perceptions have such a strong influence on retention and employee morale, it's incumbent upon organizations to be more transparent and communicative with employees about their pay gaps and what they are doing to close them.

Above all else, employees want to know they're fairly paid within their role. When it comes to compensation transparency, employees told us they are most interested in understanding the average compensation for every position at their company (37%), compared to the compensation of every member of their team (21%), the compensation of their CEO and executives (17%), and company compensation by demographic (7%). Women (42%) are more likely than men (30%) to want to know the average compensation for every position, while men (22%) are more likely than women (13%) to want to know the compensation of the CEO and executives at their company.

“58% said they would consider switching jobs for more pay transparency.”

Employers should not underestimate the importance of pay transparency or a Diversity, Equity, and Inclusion (DE&I) strategy for employee retention. Unfortunately, at least in perception, DE&I strategies are lacking equal compensation. While just over half (51%) of employees said their company implemented a new or updated diversity and inclusion plan this year, less than half (48%) said it included an equal compensation strategy. This perception could play off in retention, as nearly half (48%) of employees told us they would consider switching jobs if another company had a built out DE&I (diversity, equity and inclusion) strategy. In addition, 58% said they would consider switching jobs for more pay transparency than their current company provides. Gen Z (70%) are much more likely than other generations to consider switching jobs for more pay transparency.



The Path Forward

The workplace changed dramatically in 2020, and some of those changes will be permanent, raising challenges for HR like: how can companies ensure productive and collaborative remote work? How can they keep employees aligned and engaged? How can they quickly implement short-term tactics while developing long-term strategies to deal with an uncertain future?

As we've seen through our surveys, the way that employees look at organizations and at their jobs has changed and will continue to evolve. Companies have invested in many rewards programs over the years that center on the office and commuting, but factors such as flexible schedules and time off are growing in importance, and others may evolve as we emerge from the depths of the pandemic.

Despite the economic uncertainty and high unemployment rate, 85% of workers are still considering looking for a new job. Moving forward, as changes in rewards and compensation continue, keep staff aligned with changing strategy as part of ongoing communication; transparency is key through both positive changes and difficult decisions.

Self-service total rewards and performance systems that are available in any remote location provide accurate pay transparency, helping employees understand how their pay is calculated and how their performance relates to pay. For both, it is important to use the appropriate technology and tools to offer the employee the fundamentals of what is expected of them from a performance perspective for their specific role, how they did against those objectives and how the components of pay stack up to deliver a competitive pay package. In each case, there is a clear increase in the use of transparency and buy-in for managers overseeing the plan, HR administering the plan, and the employees participating in the plan.

The common glue that holds everything together is an employer's open, transparent relationship with its people. Creating trust will drive agility and performance, while at the same time, improving employee engagement — an asset for retention in any landscape.

“One thing is certain, going forward HR will need to be agile and adaptable. Employers would be wise to take a future-based look at total rewards and the technology required to deliver it fairly and transparently.”



Claudio Carnovali, beqom Product Manager

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